

1999 MICHIGAN

Single Business Tax Forms and Instructions



Important Information for 1999 . . .

Single Business Tax Eliminated. Beginning January 1, 1999, the Single Business Tax (SBT) rate will be reduced by 0.1 percent per year, from its 1998 rate of 2.3 percent, until it is completely phased out over 23 years.

Capital Acquisition Deduction Replaced. The current capital acquisition deduction (CAD) has been replaced with a Michigan investment tax credit (ITC). The new law takes effect for tax years beginning after December 31, 1999.

For more information, see page 3 or visit our web site at www.treasury.state.mi.us

For questions or information, contact us at:

Single Business Tax Division
Michigan Department of Treasury
Lansing, MI 48922
517-373-8030



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Important News for 1999

P.A. 115 of 1999 - Comprehensive Changes to SBT.

Tax Rate Reduced - reduction of the SBT tax rate by 0.1 percent annually beginning January 1, 1999. The rate reduction will only go into effect if the State's Rainy Day Fund reports an ending balance of more than \$250 million. This will effectively phase out the SBT over a 23-year period. Blended rates are required for fiscal-year-end or short-period returns. If you are filing for a 12-month tax year, use the chart below to determine the correct tax rate to use for your year-end.

<u>Year End</u>	<u>Effective Tax Rate%</u>
12/1999	2.2
1/2000	2.1916
2/2000	2.1833
3/2000	2.175
4/2000	2.1666
5/2000	2.1583
6/2000	2.15
7/2000	2.1416
8/2000	2.1333
9/2000	2.125
10/2000	2.1166
11/2000	2.1083
12/2000	2.1

The above rates assume that the tax rate will change to 2.1 percent as of January 1, 2000.

Do not use this chart if your tax year is less than 12 months. Instead, figure the number of months at the old rate and the number of months at the new rate and compute according to the following example:

Example: 8-month return tax year from October 1999 to May 2000:

$$\begin{aligned} 3 \text{ months} \times 2.2\% \text{ (old rate)} &= 6.6\% \\ 5 \text{ months} \times 2.1\% \text{ (new rate)} &= 10.5\% \\ 6.6\% + 10.5\% &= 17.1\% \\ 17.1\% / 8 \text{ months} &= 2.1375\% \text{ tax rate} \end{aligned}$$

Capital Acquisition Deduction Replaced by Investment Tax Credit - for tax years beginning after December 31, 1999, the current capital acquisition deduction (CAD) will be replaced with a Michigan investment tax credit (ITC). More detail for changes beginning on or after January 1, 2000, will be available in the year 2000 booklet.

Definition of Compensation - expands the definition of "Compensation" in the Act by eliminating the requirement that it be "subject to or specifically exempt from withholding."

Internal Revenue Code (IRC) Reference - updates the IRC reference in the SBT Act to that in effect on

January 1, 1999, or at the option of the taxpayer, in effect for the tax year.

Foreign Tax Base Defined - for tax years beginning before January 1, 2000, foreign entities will only be required to file an SBT return if they have a permanent establishment in the United States and are required to file a federal form 1120F or the equivalent for a non-corporate entity. More detail for changes beginning on or after January 1, 2000, will be available in the year 2000 booklet.

P.A. 534 of 1998 - Michigan Historic Preservation Tax Credit. Effective for tax years beginning after December 31, 1998 and before January 1, 2003, Public Act 534 of 1998 provides tax incentives for homeowners, commercial property owners and businesses to rehabilitate an historic resource located in the State of Michigan. For more details see the instructions for *SBT Miscellaneous Credits* (form C-8000MC) on page 45.

P.A. 539 of 1998 - Computer Software Royalties. Public Act 539 of 1998 eliminated the addition to the tax base for royalties paid by a purchaser for computer software pursuant to a license agreement. In addition, for tax years beginning after December 31, 1997, a subtraction to the tax base will no longer be allowed for the receipt of most computer software royalties by a seller, licensor, distributor, developer, marketer or copyright holder. For more details, see the instructions for the C-8000 Annual Return on page 13.

New: The organization type designation on the C-8000, *Single Business Annual Return*, and the C-8044, *Single Business Tax Simplified Return*, has been changed. If you are a Limited Liability Company that is taxed as a Corporation, check the box labeled Limited Liability-Corporation. If you are a Limited Liability Company that is taxed as a Partnership, check Partnership/LLC-Partnership.

Reminder: For tax years beginning after December 31, 1996, the **apportioned** capital acquisition deduction is allowed only for acquisitions of tangible, depreciable property **located in Michigan**, mobile property, equipment used in construction and assets other than mobile property acquired after December 31, 1996 for use outside of Michigan which are moved into the state.

Web Site

The Michigan Department of Treasury's web site was established to provide easy access to Forms, Instructions, Revenue Administrative Bulletins, important updates and other helpful information. Visit our web site at: **www.treasury.state.mi.us**

GENERAL INFORMATION

Single Business Tax

The Single Business Tax (SBT) is a general business tax levied by the State of Michigan. It was enacted in 1976 to replace several previous business taxes including the corporate net income tax. The SBT replaced profits-based taxation with value added taxation.

Before You Begin

This combined booklet includes the forms and instructions for all single business tax filers. The areas that apply only to a particular organization type are identified with a bullet and by bolding the organization type.

Example:

- **Corporations**
- **Individuals**

The forms are designed for the calendar year 1999 or for fiscal years beginning in 1999.

Before preparing your SBT return, complete all federal tax forms. These forms may include:

- **Individuals, Partnerships or Fiduciaries** - U.S. 1040, 1041, 1065 and related *Schedules C, C-EZ, D, E, K* and 4797
- **Corporations** - U.S. 1120, 1120A, 1120S and *Schedule K*, and U.S. 940.
- **Limited Liability Companies (LLC)** - federal forms listed above depending on how you have elected to file your federal return.

You will need to reference these federal forms to complete your Michigan SBT return.

How Do I Use This Booklet?

Read the General Information. Then review the table on page 66 and the Table of Contents to help you determine which forms and schedules you need to file and the form number, title and the page(s) of the form and instructions.

To help you determine your gross receipts and business income, use one of the worksheets on page 16. Select the appropriate worksheet based on the organization type of the business.

What Is Business Activity?

Taxable business activity includes:

1. sale or rental of property, whether the property is real, personal, tangible or intangible.

For example:

- rental of a house or lease of a car;

- sale or rental of property used in a business activity (e.g., the sale of an income-generating apartment complex).
- 2. performance of services for gain, including services performed outside Michigan.

For example:

- services provided by an independent contractor (e.g., a building contractor or plumber).

Nontaxable business activity includes:

1. services provided by an employee to his or her employer only;
2. services as a director of a corporation (who is not considered an employee);
3. a casual transaction (e.g. sale of personal residence).

Who Must File an SBT Annual Return?

Every person who is engaged in business activity in Michigan and whose **adjusted gross receipts** are \$250,000 or more must file an annual return. Adjusted gross receipts means gross receipts plus recapture of the capital acquisition deduction. For companies doing business outside Michigan, it means apportioned gross receipts plus recapture of the capital acquisition deduction. (See form C-8000S, page 47, Part 2, lines 9-13 for calculation.) In these instructions, **person** means an individual, firm, bank, financial institution, limited partnership, copartnership, partnership, joint venture, association, corporation, receiver, estate, trust, limited liability company or any other combination acting as a unit for business purposes.

If your **business operated less than 12 months**, annualize your gross receipts to determine if you should file. See page 6 for more information.

If you are a member of an affiliated group, a controlled group of corporations or an entity under common control, the group must sum its members' adjusted gross receipts to determine if members of the group need to file. Do not include members whose adjusted gross receipts are less than \$100,000; these members are not required to file an SBT return. However, if the sum of the members adjusted gross receipts are \$250,000 or more, all members with gross receipts that equal \$100,000 or more must file an annual return.

Members whose adjusted gross receipts are less than \$100,000 must include their business activity when computing a small business credit on the *Single Business Tax Allocation of Statutory Exemption, Standard Small Business Credit and Alternative Tax for Members of Controlled Groups* (form C-8009).

If adjusted gross receipts are below the filing requirement, there is no legal obligation to file a return. If a person is registered for SBT, they may want to notify the Department of Treasury officially that they do not have a liability to prevent any inquiries by the Department. Filing a *Single Business Tax Notice of No SBT Return Required* (C-8030), may avoid further correspondence from the Department.

- **Unincorporated businesses - A husband and wife** who file their U.S. 1040 as "married filing jointly," but own separate businesses, maintain separate records and file separate federal *Schedule C* forms, must file separate SBT returns. If a husband and wife have jointly-owned rental property and file a federal *Schedule E*, a separate SBT return must be filed for the jointly-owned rental property. The SBT return for the jointly-owned property must be reported as part of a controlled group with at least one spouse's SBT return.
- **Individual - If you own more than one business that is registered as individual** (e.g., you own a grocery store and rental property), file one SBT return and use the combined adjusted gross receipts to determine filing requirements.
- **Joint ventures** and other groups engaged in a business as a unit (for example, real estate owned jointly by two individuals who have not treated their relationship as a partnership) must file an annual return as a partnership. This does not include husband/wife ventures.
- **Fiduciaries** filing for estates or trusts engaged in business activity must file an SBT return and report the total business activity. Beneficiaries are not required to file an SBT return or pay the tax on their distributive shares. If a grantor trust is engaged in business, the grantor or owner must file. To determine credits, follow the guidelines for individuals.

Reminder: Partners and shareholders may have to pay tax on their share of income from a partnership or S-corporation. For a partner or shareholder who is an **individual**, this share of business income is taxed under the Michigan individual income tax act. For a **partner or shareholder who is a business (not individual) subject to SBT**, this income must be subtracted (add losses) on the SBT annual return filed for the corporation or other partnership to the extent that it was included in arriving at business income.

Exception: If this partner/shareholder has no Michigan business activity other than its interest in the partnership or S-corporation, the

partner/shareholder itself is not subject to SBT and is not required to file a return.

Who Is Exempt from the SBT?

The following may be exempt from the single business tax:

1. most persons who are exempt from federal income tax under the IRC;
2. nonprofit cooperative housing corporations;
3. farmers producing agricultural goods. For more information request *Revenue Administrative Bulletin 1989-47*.

If you are exempt, but have unrelated business income (as defined in the IRC), that income is subject to the SBT and a return will be required if the adjusted gross receipts are \$250,000 or more.

For a complete list of exemptions, request a copy of the SBT Act (P.A. 228 of 1975, as amended).

If you are exempt, and have no unrelated business income, you are not required to file SBT. If you wish to be removed from our mailing list, please contact the Registration Section at 517-373-0888 to discontinue your account.

Which Annual Return Should I File?

Adjusted gross receipts means gross receipts plus recapture of the capital acquisition deduction. For companies doing business outside of Michigan, it means apportioned gross receipts plus recapture of capital acquisition deduction.

File If:

C-8030 - Your adjusted gross receipts are less than \$250,000, you are not claiming a refund, and you do not intend to use a loss carryforward from this or previous years.

C-8044 - Your adjusted gross receipts are less than \$250,000 and you wish to claim a refund only, skip lines 10 - 16 and 22 - 25;

OR

- your adjusted gross receipts are \$250,000 or more, you meet the criteria on the form and you are using the alternate tax rate.

File form C-8000 if you are apportioning your gross receipts.

C-8000 - Your adjusted gross receipts are \$250,000 or more; OR

- your adjusted gross receipts are less than \$250,000 and you wish to claim a refund; OR

- your adjusted gross receipts are less than

\$250,000 and you are reporting a business loss carryforward or using a business loss from a preceding year; OR

- you want to calculate the alternate tax but must use the reduced credit; OR
- you are a member of a controlled group and your adjusted gross receipts are equal to or greater than \$100,000.

The C-8000 is the only form which will guarantee the calculation of the lowest tax liability. This list does not cover all situations. See the instructions for each form for more information.

Who Must File SBT Quarterly Tax Estimates?

If you expect your annual SBT liability to be more than \$600, you must file quarterly estimates. If your tax year was less than 12 months (e.g., you opened or closed a business during the year), annualize the tax to see if you must file estimates.

The Department of Treasury sends personalized forms (C-8002) to each registered estimate filer (except those who pay SBT using the *Combined Return for Michigan Taxes*). You can speed the posting of your account and improve the accuracy of your payment information by using your personalized forms or by requiring your tax practitioner to use them. Do not duplicate personalized forms or use a form that has someone else's name on it.

If you had business activity in Michigan in 1999 and your 1999 tax is \$20,000 or less, you may use the amount of your 1999 tax liability as the estimate for your 2000 annual tax. To avoid penalty and interest, divide your 1999 tax by 4 (e.g., $\$20,000 \div 4 = \$5,000$) and pay that amount by each of the 2000 quarterly due date(s). You may also divide the amount by 12 and pay it with your monthly sales, use or withholding tax payment (e.g., $\$20,000 \div 12 = \$1,666.67$).

If your previous year was less than 12 months, annualize the previous year's tax liability to determine if estimates are due and the amount due.

If you had business activity in Michigan in 1999 but reported no tax liability or were not required to file a 1999 return, estimated payments are not required for 2000. If you made estimated payments during 1999, and later determine that your adjusted gross receipts do not meet the filing requirements, file an annual return to claim a refund or credit forward of your payments.

Amending estimates. If, after making payments, you find that the estimated tax is substantially different than you originally estimated, recompute the tax and adjust your payment in the next quarter.

How Do I File If My Tax Year is Less Than 12 Months?

Your annual return must be filed for the same period as your federal income tax return. If your business operated less than 12 months you must annualize to determine which forms to file and your eligibility for a standard small business tax credit or the alternate tax. Annualized business income will also determine the amount of your unincorporated credit. Do not use annualized numbers on your return; use them only to determine filing requirements and qualifications for credits.

To annualize: Multiply each amount (total gross receipts, business income, and shareholder's, officer's and partner's income) by 12 and divide the result by the number of months the business operated. You are considered in business for one month if the business operated for more than half the days of the month.

1. If annualized adjusted gross receipts (annualized apportioned gross receipts plus recapture) are \$250,000 or more, you must file an annual return. If annualized gross receipts are more than \$10,000,000, you are not eligible for the standard small business credit or the alternate tax.
2. Annualize shareholders', officers' and partners' compensation and share of business income. If any shareholder or officer has allocated income (annualized) more than \$115,000 after loss adjustment, or any partner has a distributive share more than \$115,000 (C-8000KP, column E; C-8000KC, columns K or M), you are not eligible for the standard small business credit or the alternate tax. If annualized allocated income or distributive share is between \$95,000 and \$115,000, the annualized figure will determine the reduction to the small business credit.
3. Annualize business income to determine the credit percentage used to compute the unincorporated/S-corporation credit. If the annualized adjusted business income after loss adjustment is more than \$475,000, you are not eligible for the standard small business credit or the alternate tax.

You must also **prorate** the statutory exemption, including increased exemptions. Use the *Statutory Exemption Schedule* (form C-8043).

- **Individuals** - A business registered as individual that is in business less than 12 months is not required to annualize. However, the statutory exemption must be prorated for the number of months of business activity reported. Complete lines 11 and 12 of form C-8043.

Who May File Consolidated?

- **Corporations - An affiliated group of corporations may file a consolidated or combined return only with prior approval from the Commissioner of Revenue.** To request approval, file a *Request for Consolidated or Combined Filing* (form C-8007) before the due date of the annual return. This form is available by calling 1-800-FORM-2-ME (1-800-367-6263). See RAB 89-49 for additional information.

When Is My Return Due?

Annual returns are due on or before the last day of the 4th month after the end of your tax year. For example: A return for calendar year 1999 is due April 30, 2000. A return for a fiscal year ending March 31, 2000, is due July 31, 2000.

- **Individuals** normally file for a calendar year regardless of the months in which they have business activity.

What If I Need More Time to File

If additional time is needed to file your annual tax return, request a Michigan extension by filing an *Application for Extension of Time to File Michigan Tax Returns* (form 4, formerly C-4267).

Filing a federal extension request with the Internal Revenue Service (IRS) does not automatically grant you a Michigan SBT extension. The IRS does not notify state governments of extensions. If you do not receive an approved Michigan extension, penalty and interest will accrue on the tax due.

Your extension application must be postmarked on or before the original due date of your annual return.

Although Michigan will grant extensions for filing SBT returns, it will not extend the time to pay. Extension applications received without proper payment **will not be processed**. Penalty and interest will accrue on the unpaid tax from the original due date of the return.

If you have properly filed and paid estimates, and included this amount on line 7 of your extension application, we will accept your estimates as payment on a tentative return and an extension may be granted. It is important that you complete the application correctly.

Once we receive your application and proper payment, Michigan will grant you an extension for the same length of time as your federal extension (if applicable) plus 60 days. If you do not have a federal

extension, we will grant an additional 180 days to file.

For example, if an SBT extension is granted, a 1999 calendar-year filer who has a federal extension has an SBT return due date of December 31, 2000. The same filer without a federal extension has an SBT due date of October 31, 2000.

You will receive a written response at the legal address on file when we receive a valid extension application.

If you file your SBT extension on time but the total payments received by your original due date are less than 90% of your tax liability, a 10% negligence penalty may apply.

Important: If you owe no tax, you do not need to file an extension with Michigan by the due date of the return **to avoid penalty and interest**. However, without an approved extension, you must file your annual return as soon as the information is available to do so.

Remember, an extension of time to file will also extend the statute of limitations.

How Do I Amend My Return?

If you need to amend a current annual return, you may complete either form C-8000X or C-8044X. Current year forms are available on the Michigan Department of Treasury web site at **www.treasury.state.mi.us** and are included in the reproducible packet. These forms should be used only for tax years 1995 or later.

If you are amending an annual return for a year before 1995, use the appropriate year's return, and print **"AMENDED"** at the top. These forms can be obtained by calling:

1-800-FORM-2-ME (1-800-367-6263).

If you are amending your return to claim a refund, you must file within four years of the due date of the original return. Credit interest will be paid beginning 45 days after the claim is filed or the due date, whichever is later.

If you are amending your return and there is a deficiency, penalty and interest may apply from the due date of the original return.

If any changes are made to your federal income tax return that affect your SBT tax base, you must file an amended return. To avoid penalty, you must file the amended return within 120 days after the IRS' final determination.

How Do I Compute Penalty and Interest?

Annual returns filed late or without sufficient payment of the tax due are subject to a penalty of 5 percent of the tax due per month plus interest. Maximum penalty is 50 percent of the tax due.

Estimated returns not filed or filed after the due date are subject to a penalty of 5 percent of the unpaid tax per month. Maximum penalty is 50 percent of the estimated tax due. If you underpay your estimate, a penalty of 10 percent for negligence or 25 percent for intentional disregard may apply. Treasury will bill you for penalties due under these circumstances.

You may compute penalty and interest for underpaid estimates using *Penalty and Interest Computation for Underpaid Estimated Tax* (form C-8020). If you prefer not to file this form, Treasury will compute your penalty and interest and bill you. See page 55.

The interest rate varies with the filing period. Use the chart below to find the interest rate that applies to you. A new interest rate is set at 1 percent above the prime rate for each 6-month period.

<u>Beginning date</u>	<u>Rate</u>	<u>Daily Rate</u>
January 1, 2000	8.9%	.0002438
July 1, 1999	8.8%	.0002422
January 1, 1999	9.5%	.0002603
July 1, 1998	9.5%	.0002603
January 1, 1998	9.5%	.0002603

For a complete list of interest rates, request RAB 1999-6 or visit Treasury's web site:

www.treasury.state.mi.us

How Do I Format Amounts

I Enter on SBT Forms?

1. **Losses:** Report losses and negative amounts in brackets. For example [22,459.00].
2. **Percentages:** Carry all percentages to six decimal places. Do not round percentages. For example 24.154256 percent becomes 24.1542 percent (.241542).
3. **Round dollar amounts:** Report all amounts in whole dollars. Round up amounts of 50¢ or more. Round down amounts of 49¢ or less.

Who Must Sign the Return?

All returns must be signed and dated by the taxpayer or the taxpayer's authorized agent. This may be the owner, partner, corporate officer, officer's agent or association member.

If someone other than the above has prepared the return, the preparer must also sign it and give his or

her business address and phone number.

Please print the name of the taxpayer and preparer in the appropriate area on the return.

If someone else prepares your return for you and you do not wish to receive an SBT instruction book, please check the box on the return and we will remove you from the mailing list for future books.

Where Do I Mail My Return?

Mail your annual return or *Notice of No SBT Return Required* (C-8030) with all necessary schedules and payment if applicable to:

Michigan Department of Treasury
P.O. Box 30059
Lansing, MI 48909

Mail your extension application (form 4, formerly C-4267) to:

Michigan Department of Treasury
P.O. Box 30207
Lansing, MI 48909

Mail your quarterly estimate payments (C-8002) to:

Michigan Department of Treasury
Dept. 77889
Detroit, MI 48277-0889

The estimated returns are the only SBT forms that are sent to Detroit. Make all checks payable to: "**State of Michigan.**" Write your federal employer number and "SBT" on the check.

Correspondence. You may report address changes or business discontinuance on the annual return. To report changes in your tax status or business activity, contact the Registration Section at 517-373-0888 or use the *Notice of Change or Discontinuance* form provided in your sales, use and withholding taxes coupon book. Mail any other correspondence to the SBT Division at the address where you send your annual return.

To Request Forms

- **1-800-FORM-2-ME** (1-800-367-6263) Call to request extra copies of forms, forms for previous years, copies of Revenue Administrative Bulletins (RABs) or any form not included in this booklet.
- **517-241-8730 to have current year forms faxed directly to you.** Faxed forms may not have instructions.
- Department of Treasury offices listed on page 68 have extra copies of forms.
- **www.treasury.state.mi.us** - The Michigan Department of Treasury web site has forms, RABs and other useful information.

INSTRUCTIONS FOR C-8000 ANNUAL RETURN

Lines not listed are explained on the form.

Every person who is engaged in business activity in Michigan and whose adjusted gross receipts are \$250,000 or more must file an annual return.

Line 1, Taxable Year. If you operate on a fiscal year, enter the beginning and ending dates (month and year) of your annual accounting period. For periods less than 12 months, enter the beginning and ending dates that correspond to the taxable period you reported to the IRS.

Line 3, Consolidated Filing -

- **Corporations.** If you have received the Commissioner of Revenue's approval to file a consolidated or combined SBT return, check the box and enter your authorization number on the line provided. **Attach a copy of your approved Request for Consolidated or Combined Filing (form C-8007) and your Affiliation Schedule - Consolidated Filing (form C-8008).**

Line 4, Controlled Groups. A controlled corporate group is an affiliated group of corporations as defined in the SBT Act or a controlled group of corporations as defined in IRC Section 1563.

Entities under common control are two or more trades or businesses (whether or not incorporated) under common control as defined in the Internal Revenue Service Regulation 1.414(c). This includes parent-subsidiary, brother-sister or combined groups of corporations. See RAB 89-48 for further information.

Important: If you are a member of a controlled group and are claiming a statutory exemption or small business credit, attach the *Allocation of Statutory Exemption, Standard Small Business Credit and Alternate Tax for Members of Controlled Groups* (form C-8009) to your SBT return. (See page 49.)

Line 5, Account Number. Use your federal employer identification number (FEIN) or the Michigan Treasury (TR) number assigned. If your organization type is individual and you do not have an account number yet, enter your Social Security number and enter an S in the box to the right. Treasury will notify you when a Michigan Treasury (TR) number is assigned. Please use that number on all future SBT filings unless a federal number has been assigned. For all other organization types, if you do not have an account number, leave line 5 blank. Be sure to use the same account number on all forms.

Line 7, Business Start Date. Enter the start date of your first Michigan business activity.

Line 8, Principal Business Activity. Enter a brief description of your business activity. For example,

Gross Receipts Checklist

Include receipts from:

- Sale of products;
- Services performed;
- Gratuities stipulated on a bill;
- Sales tax collected on the sale of tangible personal property;
- Dividends and interest received by a financial organization;
- Gross commissions earned;
- Rents;
- Royalties
- Professional services;
- Sales of scrap and other similar items;
- Client reimbursed expenses not obtained in an agency or other representative capacity;
- Gross proceeds from intercompany sales.

Exclude receipts from:

- Wages, salaries or other compensation received as an employee (see definition of employee on page 12);
- Proceeds from the sale of assets used in a business activity (dispositions of assets are reported on form C-8000D);
- Cash discounts allowed and taken on sales;
- Proceeds from the sale of merchandise returned by customers when the sale price is refunded or equivalent credit is granted;
- Voluntary tips;
- Security deposits (unless retained);
- Distributive income from a partnership, S-corporation or LLC received as a partner, shareholder or member.

forestry, fisheries, mining, construction, manufacturing, transportation, communication, electric, gas, sanitary services, wholesale trade, retail trade, finance or services.

Line 9, Organization Type. Check the box that describes your organization type. New: If you are a Limited Liability Company that is taxed as a Corporation, check Limited Liability Company - Corporation. If you are a Limited Liability Company that is taxed as a Partnership, check Partnership/LLC-Partnership.

Arrow ➡ : If someone else prepares your return for you and you do not wish to receive an SBT instruction book, please check the box on page 1 and we will remove you from the mailing list for future books. If you change your mind and would like to be added back to the mailing list, please contact us at 517-373-8030.

Line 10, Gross Receipts. Use the checklist above to be sure you have totalled your receipts correctly. Use the appropriate worksheet on page 16 to determine gross receipts.

Line 11, Business Income. Use the appropriate worksheet on page 16 to determine business income.

THE SHORT METHOD to compute your SBT.

The maximum SBT any filer pays is equal to the tax rate times one-half of your adjusted gross receipts. Adjusted gross receipts means gross receipts plus recapture of capital acquisition deduction. For companies doing business outside of Michigan, it means apportioned gross receipts plus recapture of capital acquisition deduction. You can figure this amount quickly using form C-8000S, lines 9-14, instead of figuring your tax base on form C-8000. However, if you want to claim the standard small business credit you must still compute your tax base.

*If you use the **SHORT METHOD**, complete **SBT Reductions to Adjusted Tax Base (form C-8000S)**. See instructions, page 48.*

If you want to use the **SHORT METHOD**, follow these steps:

1. Enter your gross receipts on C-8000, line 10;
2. If you are claiming an unincorporated credit, enter your business income on C-8000, line 11;
3. Enter your recapture (if applicable) from your C-8000D, line 26 on C-8000, line 36;
4. Complete C-8000S, lines 9 - 14 only;
5. Enter the amount from C-8000S, line 14 on C-8000, line 44 and complete the C-8000.

COMPENSATION PAYMENTS

Line 12, Salaries, Wages and Other Payments.

Enter total payments (including the cash value of all consideration other than cash), made on behalf of or for the benefit of employees and officers. Report these payments on a cash-only basis, i.e. include only the actual payments made during the year. For most filers this is the amount reported on U.S. 940 for the taxable year.

Payments include salaries, wages, fees, bonuses, commissions and other payments that are subject to or specifically exempt or excepted from federal income tax withholding. This includes payments for casual services, but does not include payments to independent contractors or fees paid for services as a director of a corporation.

Employee is a person from whom an employer is required to withhold federal income taxes (IRC Section 3401(c)).

Lines 13 through 15. Report any payments made on behalf of or for the benefit of employees or officers on a cash or accrual basis consistent with your method of federal income tax reporting.

Line 13, Employee Insurance Plans. Enter payments to health or life insurance plans for employees, payments for health and welfare and non-insured benefit plans, and payment of fees for the

administration of health and welfare and non-insured benefit plans.

Do not include here or on line 15, contributions for FICA (Social Security and Medicare), workers' compensation insurance, or the state and federal unemployment compensation fund.

Line 15, Other. Include here any payments made for the benefit of employees that are not included on lines 13 - 14. For example: payments to supplemental unemployment benefit trusts; payments to individuals not currently working; payments to dependents and heirs for labor services rendered by an individual.

ADDITIONS

Additions are added to the extent deducted in arriving at business income, line 11.

Line 17, Depreciation. Enter all depreciation or amortization of tangible assets which you claimed as a deduction on your federal return. This includes the immediate (permitted under IRC Section 179) or accelerated write-off of tangible assets.

Taxpayers choosing the mileage method to determine car expenses must include in depreciation that portion of the mileage rate that is required by the IRC to reduce the adjusted basis of the vehicle.

Safe Harbor Leases. The lessor and lessee must report on line 17 any rent attributable to a lease-back agreement under IRC section 168(f)(8). The lessor subtracts rental receipts from such property, while the lessee adds rental payments. The lessee also may be entitled to a capital acquisition deduction for such property.

Line 18, Taxes. Enter all taxes on, or measured by, net income, including city and state taxes, foreign income tax and federal environmental tax claimed as a deduction on your federal return.

Line 20, Dividends, Interest and Royalty

Expenses. Enter any dividend, interest or royalties claimed as a deduction on your federal return.

Do not include any of the following on line 20:

- dividends not claimed as federal deductions;
- interest payments made by a financial organization;
- initial franchise fees;
- oil and gas royalties deducted;
- cable franchise fees paid to units of government;
- film rental payments made by a theater owner to a distributor or to a producer;
- payments made by radio or TV broadcasters for syndication or royalty fees, or any other charges for program matter;
- computer software royalties deducted.

Line 21, Capital Loss Carryover or Carryback.

- **Fiduciaries and Corporations.** Enter any capital loss carryover or carryback from your federal schedule that was included in the business income reported on line 11. This cannot be a negative number.

Line 22, Net Operating Loss Carryover or Carryback.

- **Fiduciaries and Corporations.** Enter any net operating loss carryover or carryback that was included in arriving at business income reported on line 11. This cannot be a negative number.

Line 23: Gross Interest and Dividend Income.

Enter any income from bonds and similar obligations or securities of states other than Michigan and their political subdivisions. Include only the income derived from your business activity. You may subtract from this income-related expenses, if those expenses were not allowed as deductions on your federal return (IRC Sections 265 and 291).

Line 24, Special Classifications Deduction.

- **Corporations** - Enter any deduction or exclusion by a filer due to a classification as, or the payment of commissions or fees to, a domestic international sales corporation (DISC), foreign sales corporation (FSC) or any similar special classification which reduces or postpones federal income tax liability. This does not apply to special provisions of IRC sections 805, 809, 815(c)(2)(A), 823(c) and 824(a).

Financial Organization Expense Addback.

Enter total expenses deducted in arriving at federal taxable income, less expenses which are added in determining the SBT tax base, times the following fraction:

Interest from U.S. obligations that Michigan is prohibited from taxing	+	Interest on Michigan obligations
Total interest income		

The result cannot exceed interest from U.S. obligations subtracted in arriving at the tax base.

Line 25, Losses from Partnerships. Enter any losses attributed to another taxable entity included in the business income reported on line 11. Enter the FEIN(s) of the partnerships, S-corporations or LLCs.

SUBTRACTIONS

Subtractions are subtracted to the extent included in arriving at business income, line 11.

Line 28, Dividends, Interest or Royalty Income.

Enter dividends, interest and royalty income included in the business income reported on line 11.

Do not include:

- dividends allowed as a dividend-received deduction on a federal return;
- oil and gas royalty income;
- initial franchise fees;
- interest income received by a financial organization. (*Exception:* Interest from U.S. obligations that Michigan is prohibited from taxing may be included.);
- film rental payments made by a theatre owner to a distributor or to a producer;
- payments made by radio or T.V. broadcasters for syndication or royalty fees, or any other charges for program matter;
- computer software royalty income

Exception: System software which interacts with operating system software and is developed, licensed and intended for the exclusive use of data processing professionals to build, test, manage or maintain application computer software. System software may not be transferred as part of, or in conjunction with, a sale or lease of computer hardware. System software royalty income may be included as a subtraction on line 28.

Line 29, Excluded Capital Losses. Enter any capital losses not included in arriving at federal taxable income in the year the loss occurred.

Line 30, Income from Partnerships. Enter income attributed to another taxable entity included in the business income reported on line 11. Enter the FEIN(s) of the partnerships, S-corporations, or LLCs.

TAX BASE

Line 32, Tax Base. Tax base is business income or loss (line 11), plus compensation (line 16) and additions (line 26), and minus subtractions (line 31).

If you are taxable in another state, complete SBT Apportionment Formula (form C-8000H) before continuing. See instructions, page 34. Attach your completed SBT Apportionment Formula to your return.

Line 33, Apportioned Tax Base. If taxable in another state, multiply line 32 by the percentage from form C-8000H, line 16 or 19, whichever applies.

ADJUSTMENTS

If you are claiming or recapturing a capital acquisition deduction, complete SBT Capital Acquisition Adjustment (form C-8000D) before continuing. See instructions, page 29. Attach your completed SBT Capital Acquisition Adjustment to your return.

Line 38, Adjusted Tax Base Before Loss Deduction and Statutory Exemption. Any negative

amount on this line is a business loss which may be carried forward successively to the next 10 taxable years, or until the loss is used, whichever occurs first. If line 38 is negative no tax is due. Do not complete lines 39-50.

Line 39, Business Loss Deduction. Enter any unused business loss carryover from the single business tax returns for the preceding 10 years. (Loss on line 38 in preceding years less the adjusted tax base in intervening years.)

Note: This is not the federal net operating loss.

Line 40. Subtract line 39 from line 38. If negative, enter zero and carry the unused loss to next years SBT return.

STATUTORY EXEMPTION

- **Corporations** - If you are claiming a statutory exemption or a small business credit, complete *SBT Schedule of Shareholders and Officers* (form C-8000KC) before continuing. See instructions, page 39. Attach completed schedule to your return.
- **Partnerships** - If you are filing as a partnership and need to determine which partners qualify for the increased statutory exemption, complete *SBT Schedule of Partners* (form C-8000KP) before continuing. See instructions, page 42. Attach completed schedule to your return.

Line 41, Allowable Statutory Exemption. For most filers, the statutory exemption is available only if business income is less than \$67,500.

- **Corporations** - For most corporations, the statutory exemption is available only if the sum of business income, federal loss carryovers or carrybacks, and compensation/director fees of all shareholders is less than \$67,500.

A statutory exemption cannot be used to increase a business loss or to offset adjusted tax base (as determined on C-8000, line 38) before loss carryovers are reported (on C-8000, line 39). An unused statutory exemption can't be carried forward.

You must complete and attach the SBT Statutory Exemption Schedule (C-8043) before continuing. See instructions, page 62.

If you are a member of a **controlled group** and claim an allocated statutory exemption, complete *SBT Allocation of Statutory Exemption, Standard Small Business Credit and Alternate Tax for Members of Controlled Groups* (form C-8009). A controlled group is entitled to only one statutory exemption, which is allocated on form C-8009.

- **Individuals, Fiduciaries, Partnerships and Limited Liability Companies** - If you choose to average your business income to determine the

statutory exemption, complete *SBT Statutory Exemption/Business Income Averaging* (form C-8000G). See instructions, page 32. Attach completed schedule to your return.

REDUCTIONS, CREDITS, TAX

Line 43, Reduction to Adjusted Tax Base. You may qualify for either the compensation or the gross receipts reduction on form C-8000S, but may use only one (see instructions, page 48). Enter the amount of the reduction from form C-8000S, line 16.

Line 44. Filers using the SHORT METHOD, enter the amount from C-8000S, line 14. In no case should the amount on this line be more than 50 percent of the sum of apportioned gross receipts plus recapture of capital acquisition deduction.

The small business credit and the alternate tax are computed on SBT Credit for Small Businesses and Contribution Credits (form C-8000C). Review the C-8000C to make sure you take all the tax credits due you. See C-8000C instructions, page 23. Attach completed schedule to your return.

If you are a member of a controlled group, the small business credit and alternate tax are computed on SBT Allocation of Statutory Exemption, Standard Small Business Credit and Alternate Tax for Members of Controlled Groups (form C-8009). See instructions, page 51. Attach completed schedule to your return.

Line 46. If you are claiming a small business credit or any contribution credits, enter the amount from form C-8000C or C-8009. If you are not claiming these credits, carry the amount from line 45 to line 46.

Line 47, Unincorporated and S-corporation Credit. Taxpayers who are unincorporated or S-corporations are allowed a credit against the SBT. Multiply line 46 by the percent from the table below and enter the result on line 47.

Unincorporated/S-corporation Tax Credit Table

If business income* is:	The credit is:
\$20,000 or less	20% of the SBT liability.
More than \$20,000 but less than \$40,000	15% of the liability.
\$40,000 or more	10% of the liability.

*See page 6 for tax years less than 12 months.

Line 48, Nonrefundable Credits. If you are claiming an Enterprise Zone Credit, a Michigan Economic Growth Authority Business Activity

Credit, a Renaissance Zone Credit, a Michigan Historic Preservation Tax Credit, a Brownfield Redevelopment Credit or a Capital Acquisition Deduction Credit, see *SBT Miscellaneous Credits* (form C-8000MC) on page 43. Note that these credits have strict eligibility requirements.

Line 50, Tax After Nonrefundable Credits.

Important: If your adjusted gross receipts are less than \$250,000 enter 0 (zero) on this line.

Adjusted gross receipts are gross receipts plus recapture of the capital acquisition deduction. For companies doing business outside Michigan, adjusted gross receipts are apportioned gross receipts plus recapture of the capital acquisition deduction. Special rules apply to members of a controlled group. (See page 4, Who Must File an SBT Annual Return?) If your business operated less than 12 months, annualize gross receipts to determine if you have a tax liability.

PAYMENTS AND TAX DUE

Line 52. Enter the total tax paid with your SBT quarterly tax returns (form C-8002), or the estimated single business tax paid with the *Combined Return for Michigan Taxes*. Include all payments made on returns that apply to the current tax year. For example, calendar-year filers include money paid with the combined returns for return periods January through December.

Line 54, Refundable Credits. If you are claiming a Michigan Economic Growth Authority Employment Tax Credit, a Workers' Disability Supplemental Benefit (WDSB) Credit or an Apprenticeship Credit, see *SBT Miscellaneous Credits* (form C-8000MC) on page 43.

Line 57, Penalty and Interest. If you owe penalty and interest for not filing estimated returns or for underestimating your tax, complete *SBT Penalty and Interest Computation for Underpaid Estimates* (form C-8020) to compute penalty and interest due. If you prefer not to file this form, Treasury will compute your penalty and interest and bill you. (See page 55.)

Line 58, Penalty and Interest. See "How Do I Compute Penalty and Interest" on page 8.

Line 59, Payment Due. Enter the amount of payment due here and on page 1, line 63.

Reminder: You must sign and date your return. If someone else has prepared your return, they must also sign and date the return. See "Who Must Sign the Return" on page 8.

Please print the names in the areas provided for the taxpayer and the tax preparer.

FEDERAL FORMS: You must attach copies of these federal forms to your return.

- **Corporations** - U.S. 1120, 1120A, pages 1 through 4.

If you file as part of a consolidated federal return, attach a proforma or consolidated schedule.

- **S-corporations** - U.S. 1120S pages 1 through 4*
- **Individuals & Fiduciaries** - U.S. 1040, Schedules C, C-EZ, D and E and 4797.
- **Partnerships** - U.S. 1065 pages 1 through 4* and 8825.
- **Limited Liability Companies** - attach appropriate schedules shown above based on federal return filed.

*Do not send copies of K-1s. We will request them if we need them.

WORKSHEET 1
GROSS RECEIPTS/BUSINESS INCOME
INDIVIDUALS AND FIDUCIARIES

PART 1: GROSS RECEIPTS

1. *U.S. 1040, Schedule C or C-EZ*,
gross receipts (net of returns) _____ .00
2. *U.S. 1040, Schedule C*,
other income _____ .00
3. *U.S. 1040, Schedule E*,
a. Part I, total rents received _____ .00
b. Total royalties received _____ .00
4. Other receipts _____ .00
5. Total gross receipts
Add lines 1 - 4. Enter here
and on your return. _____ .00

PART 2: BUSINESS INCOME

6. *U.S. 1040, Schedule C or C-EZ*,
net profit or (loss) _____ .00
7. *U.S. 1040, Schedule D*,
gain or (loss)* _____ .00
8. *U.S. 1040, Schedule E*,
line 22 rent and royalty
income or (loss) _____ .00
9. *U.S. 4797* gains or (loss)
not included in Schedule D _____ .00
10. Other income _____ .00
11. Total business income
Add lines 6 through 10. Enter
here and on your return. _____ .00

**U.S. 1040D* and *4797*: Report only gains or losses from assets used in your business activity. Do not include personal gains and losses.

WORKSHEET 2
GROSS RECEIPTS/BUSINESS INCOME
CORPORATIONS

PART 1: GROSS RECEIPTS

1. *U.S. 1120 or 1120A*, line 1c _____ .00
2. *U.S. 1120 or 1120A*, line 6 _____ .00
3. *U.S. 1120 or 1120A*, line 7 _____ .00
4. *U.S. 1120 or 1120A*, line 10 _____ .00
5. Total gross receipts
Add lines 1-4. Enter here
and on your return. _____ .00

PART 2: BUSINESS INCOME

Enter federal taxable income as computed on your
U.S. 1120 or *1120A*.

WORKSHEET 3
GROSS RECEIPTS/BUSINESS INCOME -
PARTNERSHIPS OR S-CORPORATIONS

PART 1: GROSS RECEIPTS

1. *U.S. 1065* or *U.S. 1120S*
a. gross receipts (net of returns) _____ .00
b. other income/receipts _____ .00
2. *U.S. 8825*
gross income from
real estate rentals _____ .00
3. *U.S. 1065 or 1120S, Schedule K*
a. gross other rental income _____ .00
b. royalty income _____ .00
c. other income _____ .00
4. Other receipts _____ .00
5. Total gross receipts
Add lines 1 - 4. Enter
here and on your return. _____ .00

PART 2: BUSINESS INCOME

6. *U.S. 1065 or 1120S, Schedule K*, Income (Loss)
a. ordinary income (loss) _____ .00
b. net real estate rental
income (loss) _____ .00
c. net other rental
income (loss) _____ .00
d. interest income _____ .00
e. dividend income _____ .00
f. royalty income _____ .00
g. net short-term gain (loss) _____ .00
h. net long term
gain or (loss) _____ .00
i. other portfolio income
(loss) _____ .00
j. guaranteed payments
to partners _____ .00
k. other net gain (loss)
under section 1231 _____ .00
l. other income _____ .00
7. Total income or (loss)
Add lines 6a - 6l. _____ .00
8. *U.S. 1065 or 1120S, Schedule K*, Deductions
a. charitable contributions _____ .00
b. section 179 expense _____ .00
c. deductions related to
portfolio income _____ .00
d. other deductions _____ .00
9. Total deductions
Add lines 8a - 8d. _____ .00
10. Total business income
Subtract line 9 from line 7. Enter
here and on your return. _____ .00

NOTE: Limited liability companies should choose the worksheet based on their federal return.

INSTRUCTIONS FOR C-8044, SIMPLIFIED RETURN

Purpose: This form allows qualifying taxpayers to file using the alternate tax rate only, while still taking their unincorporated/S-corporation credit.

ELIGIBILITY

You are eligible to use this form for the alternate tax if **all** of the following conditions apply:

1. Your gross receipts are less than \$9 million.
 2. Your adjusted business income (after loss adjustment) is less than:
 - a. \$475,000 for corporations and partnerships;
 - b. \$95,000 for individuals or fiduciaries.
 3. No shareholder or officer has compensation or allocated income (after loss adjustment) over \$95,000 (from C-8000KC, columns K or M).
 4. No partner has distributive income (after loss adjustment) over \$95,000, (from C-8000KP).
New: For the purpose of computing the small business credit, a member of an LLC is treated as a partner if the LLC is taxed as a partnership.
 5. You are not a member of a controlled group or entity under common control.
 6. You are not filing a consolidated return.
 7. You are not apportioning your gross receipts.
- **Corporations - Allocated income** for regular corporations is either:
 - a. shareholders' or officers' compensation and directors' fees from C-8000KC, column K, or
 - b. shareholders' compensation, directors' fees and share of business income (after loss adjustment) or loss from C-8000KC, column M.

If either of these is greater than \$95,000, the corporation is not eligible for the full small business credit.

Allocated income for S-corporations is:

shareholders' compensation, directors' fees and share of business income (after loss adjustment) or loss from C-8000KC, column M.

IMPORTANT: If the allocated income after loss adjustment is between \$95,000 and \$115,000, you must file using form C-8000.

Even if you are eligible to file this form, you may pay a lower tax by filing the *SBT Annual Return* (form C-8000) and taking a standard small business credit using *SBT Credit for Small Businesses and Contribution Credits* (form C-8000C). This is especially true if any of the following applies to you:

1. You have or are establishing a business loss carryforward.
2. You wish to take a community foundations, homeless, public contributions or public utility property tax credit or have nonrefundable credits.

Gross Receipts Checklist

Include receipts from:

- Sale of products;
- Services performed;
- Gratuities stipulated on a bill;
- Sales tax collected on the sale of tangible personal property;
- Dividends and interest received by a financial organization;
- Gross commissions earned;
- Rents;
- Royalties;
- Professional services;
- Sales of scrap and other similar items;
- Client reimbursed expenses not obtained in an agency or other representative capacity;
- Gross proceeds from intercompany sales.

Exclude receipts from:

- Wages, salaries or other compensation received as an employee (see definition of employee on page 12);
- Proceeds from the sale of assets used in a business activity (dispositions of assets are reported on form C-8000D);
- Cash discounts allowed and taken on sales;
- Proceeds from the sale of merchandise returned by customers when the sale price is refunded or equivalent credit is granted;
- Voluntary tips;
- Security deposits (unless retained);
- Distributive income from a partnership, sub-S-corporation or LLC received as a partner, shareholder or member.

3. You have a large capital acquisition deduction.
Loss Adjustment. If you are not eligible for the full small business credit or the alternate tax calculation due to an adjusted business income or allocated income disqualifier, you may benefit from the *SBT Loss Adjustment Worksheet* (see page 25). If your adjusted business income was less than zero in any of the five years immediately preceding the tax year for which you are claiming a credit and you received a small business credit for that same year, you may adjust for the loss. A loss adjustment will not affect a reduction to the small business credit based on gross receipts that exceed 9 million. It will also not change the amount of allocated income on C-8000KC, Column K for a C-corporation.

Tax period is less than 12 months. Your annual return must be filed for the same period as your federal income tax return. If your business operated less than 12 months, annualize your gross receipts, business income and all shareholders', officers' and partners' income to determine which forms to file and your eligibility for a standard small business tax credit or alternate tax. Do not use annualized numbers on your return; use them only to determine filing requirements and qualifications for credits. See General Information, page 6 for complete annualizing instructions.

LINE-BY-LINE INSTRUCTIONS

Lines not listed are explained on the form.

Refund only: If your adjusted gross receipts are less than \$250,000 and you are filing this form only to claim a refund, skip lines 10 - 16 and 22-25.


Line 1, Taxable Year. If you operate on a fiscal year, enter the beginning and ending dates (month and year) of your annual accounting period. For periods less than 12 months, enter the beginning and ending dates that correspond to the taxable period you reported to the IRS.

Line 3, Business Start Date. Enter the start date of your first Michigan business activity.

Line 4, Principal Business Activity. Enter a brief description of your business activity. For example, forestry, fisheries, mining, construction, manufacturing, transportation, communication, electric, gas, sanitary services, wholesale trade, retail trade, finance or services.

Line 5, Account Number. Be sure to use the same account number on all forms. Use your federal employer identification number (FEIN) or the Michigan Treasury (TR) number assigned. If your organization type is individual and you do not have an account number yet, enter your Social Security number and enter an S in the box to the right. For all other organization types, if you do not have an account number, leave line 5 blank.

Line 7, Organization Type. Check the box that describes your organization type. New: If you are a Limited Liability Company that is taxed as a Corporation, check Limited Liability Company. - Corporation. If you are a Limited Liability Company that is taxed as a Partnership, check Partnership/LLC-Partnership.

Arrow  : If someone else prepares your return for you and you do not want to receive an SBT instruction book in the future, please check the box on the front of the form and we will remove you from the mailing list. If you change your mind and would like to be added back to the mailing list, please contact us at 517-373-8030.

NOTE: Lines 8 and 9 are used only to determine your filing requirements and small business credit eligibility. They are not part of the tax calculation.

Line 8, Gross Receipts. Use the checklist on page 19 to help you total your receipts correctly. Use the appropriate worksheet on page 16 to determine gross receipts.

Line 9, Recapture of Capital Acquisition Deduction. If you disposed of depreciable real or personal property during the taxable year, complete page 2 of the *SBT Capital Acquisition Adjustment* (form C-8000D) before continuing. (See instructions, page 29.) You must attach the C-8000D to your return.

Line 10, Business Income. Use the appropriate worksheet on page 16 to determine business income.

Line 11:

- **Fiduciaries and corporations.** Enter the sum of applicable net operating loss and capital loss from your federal schedule that was included in your business income reported on line 10. This cannot be a negative number.

Line 12:

- **Corporations** - complete and attach *SBT Schedule of Shareholders and Officers* (form C-8000KC) before continuing. See instructions on page 39.
- **Partnerships and LLC Partnerships** - complete and attach *SBT Schedule of Partners* (form C-8000KP) before continuing. See instructions on page 42.

Line 15, Unincorporated/S-corporation Credit.

Taxpayers who are unincorporated or are S-corporations are allowed a credit against the SBT. Multiply line 14 by the percent from the table below and enter the result on line 15.

Unincorporated/S-corporation Tax Credit Table	
<u>If business income* is:</u>	<u>The credit is:</u>
\$20,000 or less	20% of the liability
More than \$20,000	
but less than \$40,000	15% of the liability
\$40,000 or more	10% of the liability

*See page 6 for tax years less than 12 months.

Line 18. Enter the total tax paid with your SBT quarterly tax returns (form C-8002), or the estimated single business tax paid with the *Combined Return for Michigan Taxes*. Include all payments made on returns that apply to the current year.

Line 20, Refundable Credits. If you are claiming a Michigan Economic Growth Authority (MEGA) Employment Tax Credit, a Workers' Disability Supplemental Benefit (WDSB) Credit or an Apprenticeship Credit, see *SBT Miscellaneous Credits* (form C-8000MC) on page 43.

Line 23, Penalty and Interest. If you owe penalty and interest for not filing estimated returns or for underestimating your tax, complete *SBT Penalty and Interest Computation for Underpaid Estimates* (form C-8020) to compute penalty and interest due. If you prefer not to file this form, Treasury will compute your penalty and interest and bill you. (See page 55.)

Line 24, Penalty and Interest. See "How Do I Compute Penalty and Interest" on page 8.

Reminder: See "Who Must Sign the Return" on page 8.

Federal Forms: You must attach copies of these federal forms to your return.

- **Corporations** - U.S. 1120, 1120A, pages 1 through 4. If you file as part of a consolidated federal return, attach a proforma or consolidated schedule.
- **S-corporations** - U.S. 1120S pages 1 through 4*
- **Individuals & Fiduciaries** - U.S. 1040 Schedules C, C-EZ, D and E and 4797
- **Partnerships** - U.S. 1065 pages 1 through 4* and 8825.
- **Limited Liability Companies** - Attach appropriate schedules shown above based on federal return filed.

*Do not send copies of K-1s. We will request them if we need them.

INSTRUCTIONS FOR C-8000C

CREDIT FOR SMALL BUSINESSES AND CONTRIBUTION CREDITS

Purpose: To allow you to choose either the standard or alternate small business credit and to claim your contribution credits.

For tax years beginning after December 31, 1997 the small business credit disqualifier increased from \$95,000 to \$115,000. The small business credit is reduced if an individual, a partner in a partnership or shareholder or officer of a corporation has allocated income after loss adjustment between \$95,000 and \$115,000. This reduction is based on the individual/partner/officer/shareholder with the largest allocated income.

New: For the purpose of computing the small business credit, a member of an LLC is treated as a partner if the LLC is taxed as a partnership.

ELIGIBILITY

You are **not** eligible for either the standard small business credit or the alternate tax if any of the following conditions exist.

1. Gross receipts exceed \$10 million.
2. Adjusted business income after loss adjustment exceeds:
 - a. \$475,000 for corporations, partnerships and LLCs.
 - b. \$115,000 for individuals or fiduciaries.
3. Any shareholder or officer has compensation or allocated income (after loss adjustment) of over \$115,000; or any partner has distributive share of income (after loss adjustment) of over \$115,000 as determined on C-8000KC or C-8000KP.
- **Corporations - Allocated income** for regular corporations is either:
 - a. shareholders' or officers' compensation and directors' fees from C-8000KC, column K, or
 - b. shareholders' compensation, directors' fees and share of business income (after loss adjustment) or loss from C-8000KC, column M.

If either 3a or 3b is greater than \$115,000, the corporation is not eligible for the small business credit. In addition, if either 3a or 3b is between \$95,000 and \$115,000, the corporation must reduce the small business credit based on the individual/partner/officer/shareholder with the largest allocated income.

- **S-Corporation - Allocated income** for S-corporations is shareholders' compensation, directors' fees and share of business income (after loss adjustment) or loss from C-8000KC, column M.

If your tax year is less than 12 months, gross receipts, adjusted business income, partners' and shareholders' or officers' share of business income must be annualized to determine eligibility and to compute the small business credit. If annualized gross receipts exceed \$9 million but are less than \$10 million, annualize figures to compute Part 3. Part-year partners or shareholders must annualize their share of business income to determine their eligibility. See page 6.

Loss Adjustment. If you are not eligible for the full small business credit or the alternate tax calculation due to an adjusted business income or allocated income disqualifier, you may benefit from the *SBT Loss Adjustment Worksheet* (see page 25). If your adjusted business income was less than zero in any of the five years immediately preceding the tax year for which you are claiming a credit and you received a small business credit for that same year, you may adjust for the loss. A loss adjustment will not affect a reduction to the small business credit based on gross receipts that exceed 9 million. It will also not change the amount of allocated income on C-8000KC, Column K for a C-corporation.

Controlled groups or entities under common control as defined in the IRC are not eligible for the standard small business credit or alternate tax unless the business activities of the entities are consolidated, whether or not a consolidated SBT return is filed. This means the gross receipts, adjusted business income and tax base of **all** members of the group must be combined to determine eligibility and to compute this credit.

In other words, if the combined gross receipts exceed \$10 million, the combined adjusted business income after loss adjustment exceeds \$475,000, or any one individual, partner, shareholder or officer has allocated income after loss adjustment of more than \$115,000 from any one member of the group, the group is not eligible for the credit.

If the group is eligible and files a consolidated SBT return, compute either the standard small business credit or alternate tax on a consolidated basis using form C-8000C.

If separate SBT returns are filed, determine the combined credit and each member's share of the credit on form C-8009. Attach a copy of form C-8009 to each member's SBT return.

LINE-BY-LINE INSTRUCTIONS

Lines not listed are explained on the form.

Line 2, Account Number. Enter the same account number used on page 1 of your annual return.

NOTE: If you are using this form only to claim contribution credits and are not claiming a small business credit, go to line 28.

Part 1, Adjusted Business Income. Business income is adjusted by loss carry forwards and carry backs from your *SBT Annual Return* (form C-8000). It is also adjusted by compensation and director's fees of active shareholders and officers from form C-8000KC.

Part 2, The Small Business Credit. You can compute either the standard or alternate credit.

The alternate tax computation is a simplified way of computing your SBT while still allowing a small business credit. If you wish to file *only* the alternate tax, you may be able to complete the *SBT Simplified Return* (form C-8044) instead. Note that you cannot claim contribution credits on the *Simplified Return* nor can you calculate the reduced credit percentage required if an individual, partner in a partnership or shareholder or officer of a corporation has allocated income after loss adjustment between \$95,000 and \$115,000. You must file a Single Business Tax Annual Return (form C-8000).

You may want to compute your tax with the standard small business credit and with the alternate credit, then choose the credit to your advantage.

IMPORTANT: If an individual, partner in a partnership or shareholder or officer of a corporation has allocated income after loss adjustment between \$95,000 and \$115,000, a reduction to the small business credit is required. This reduction is based on the individual/partner/officer/shareholder with the largest allocated income. Use the table on page 22 to determine the reduced credit that applies to you.

New: For the purpose of computing the small business credit, a member of an LLC is treated as a partner if the LLC is taxed as a partnership.

Line 18b. Enter the percent from the reduced credit table on page 22 and multiply line 18a by that amount. Enter the result on line 18b.

Line 19. Subtract either line 18a or 18b (whichever is applicable) from line 14 and enter on this line.

Note: If your gross receipts are equal to or less than \$9 million and you are not claiming any contribution credits enter this amount on your C-8000, line 46.

Part 3, Gross Receipts Reduction. Complete this section only if your gross receipts are more than \$9 million but less than \$10 million (annualize for tax periods less than 12 months).

Line 26. If you are not claiming any contribution credits, enter this amount on your C-8000, line 46.

Part 4, Contribution Credits. Complete Part 4 only to claim contribution credits.

Line 29, Community Foundations Credit. A partial credit is allowed when you donate to the endowment fund of a certified community foundation. A complete list of Certified Community Foundations is on page 65. Write the foundation code on line 29c. If you do not enter a proper code, you will not receive a credit.

Line 31, Homeless Shelter/Food Bank Credit. A partial credit is allowed when you make a cash donation to a qualifying shelter for homeless persons, food kitchen, food bank or other entity whose primary purpose is to provide overnight accommodations, food or meals to indigent persons. For more information, request *Revenue Administrative Bulletin 1992-10*.

NOTE: Individuals and fiduciaries claiming credits under section 261 of the Income Tax Act are not eligible for the Community Foundation Credit or the Homeless Shelter/Food Bank Credit.

Line 33, Public Contribution Credit.

- **Corporations, Partnerships and Limited Liability Companies** - A partial credit is allowed when you donate during the taxable year to institutions of higher learning located in Michigan, Michigan public libraries, the Michigan colleges foundation, public broadcasting stations located in Michigan and any nonprofit corporation, fund, foundation, trust or association organized and operated exclusively for the benefit of institutions of higher learning located in Michigan.

Line 34, Public Utility Property Tax Credit.

- **Corporations** - Enter the total of all taxes imposed for the taxable year under P.A. 282 of 1905. This credit is for taxes assessed on properties of railroad, telegraph and other public utility companies. Taxpayers whose business activities consist of transportation services other than oil or gas by pipeline are not eligible for this credit.

Line 36. Subtract line 35 from line 32. Enter the result on your C-8000, line 46.

Attach this schedule to your return.

INSTRUCTIONS FOR LOSS ADJUSTMENT WORKSHEET

Purpose: To adjust your adjusted business income to qualify for the small business credit or minimize the reduction percentage required.

If your adjusted business income was less than zero in any of the five years immediately preceding the tax year for which you are claiming a credit, and you received a small business credit for that same year, you may adjust for the loss before you figure your eligibility for the small business credit. A loss adjustment will not affect a reduction to the small business credit based on gross receipts that exceed 9 million. It will also not change the amount of allocated income on C-8000KC, Column K for a C-corporation.

Part 1: Current Year Amounts

Use this part to determine the amount of loss adjustment necessary to qualify for the small business credit.

If you are not eligible for the credit because your adjusted business income exceeds \$475,000, complete lines 1 through 3.

If you are not eligible because you have a shareholder whose allocated income exceeds \$115,000, or a partner with distributive income that exceeds \$115,000, complete lines 4 through 9 for the shareholder or partner creating the disqualifier.

New: For the purpose of computing the small business credit, a member of an LLC is treated as a partner if the LLC is taxed as a partnership.

You may have to calculate both if you have more than one disqualifier. Complete lines 4 through 9 for **each** shareholder or partner who creates a disqualifier. The loss adjustment required is the amount needed to eliminate all disqualifiers.

Reduced small business credit. P.A. 284 of 1995 required, for tax years beginning after December 31, 1997, a reduction to the small business credit if an individual, a partner in a partnership or shareholder or officer of a corporation has allocated income after loss adjustment between \$95,000 and \$115,000. This reduction is based on the individual/partner/officer/shareholder with the largest allocated income.

Complete lines 4 through 9 for the shareholder or partner creating the need to reduce the small business credit.

The loss adjustment worksheet should always be calculated initially using \$95,000 on line 5. This

calculation will establish your eligibility without the need to reduce the small business credit.

However, if the total loss available for the current year on line 13 does not equal or exceed the loss adjustment required on line 9, you may still calculate a lesser loss adjustment to enable you to claim a reduced credit.

You may have to try the calculation more than once. Substitute the numbers, shown on the chart below, on line 5 in order to maximize your claimed small business credit:

<u>Line 5</u>	<u>Eligible % of credit</u>
\$95,000	100% - no reduction
\$99,999	80%
\$104,999	60%
\$109,999	40%
\$115,000	20%

The SBT loss adjustment worksheet is structured for corporations. To use it for a partnership or member of a controlled group, make these changes.

- **Partnerships.** Enter on line 6 any guaranteed payments made to the partner creating a \$115,000 disqualifier. On line 8, divide by the percentage of ownership from the C-8000KP, col. D.
- **Controlled Groups.** A member of a controlled group may use this form for the shareholder compensation disqualifier (lines 4 through 9). But the business income disqualifier must be calculated on a consolidated basis. Substitute consolidated figures for lines 1 - 3 and lines 10 - 15.

Note: Please see instructions if you are attempting to minimize the reduction percentage required.

Part 2: Available Loss

Use this section to determine the loss available from the five preceding years.

Line 10. Enter 'Y' under each year that a small business credit was received.

Line 11. Enter the adjusted business income from C-8000C, line 9 for each tax year that reported a loss. Report the loss in brackets.

Lines 12 - 15. Continue to fill out each year's column only if you entered a Y on line 10 **and** the adjusted business income reported on line 11 was a loss.

Note: To benefit from a loss adjustment, the total loss available for the current year, line 13, must equal or exceed the loss adjustment required on line 14.

Keep a copy of this worksheet for your records.

INSTRUCTIONS FOR C-8000D

CAPITAL ACQUISITION ADJUSTMENT

Purpose: To adjust your tax base for investment in or disposal of depreciable real or personal property.

If you acquired depreciable real or personal property during the taxable year, or disposed of depreciable real or personal property that you acquired on or after January 1, 1976, complete this form and attach it to your annual return.

Property listed must consist of real and personal property that is eligible or will become eligible for depreciation or amortization for federal income tax purposes.

Line 2, Account Number. Enter the same account number used on page 1 of your annual return.

Part 1, Capital Acquisition Deduction.

Use Part 1 to determine the total cost of depreciable real and personal property to be reported as a capital acquisition deduction.

Reminder: An apportioned capital acquisition deduction will be allowed only for acquisitions of tangible, depreciable property located in Michigan, mobile property as defined in the SBT Act, equipment used in construction and assets other than mobile property acquired after December 31, 1996 for use outside of Michigan which are moved into the state.

Line 3. Enter the description, location, date acquired and the total cost paid or accrued of eligible depreciable real and personal property acquired during the tax year and located in Michigan. Also include mobile tangible assets acquired during the tax year, whether located in Michigan or outside Michigan. If you need more space, attach a separate sheet. **Do not enter any real or tangible property other than mobile tangible assets not located in Michigan.**

Mobile tangible assets are all of the following:

- motor vehicles that have a gross vehicle weight rating of 10,000 pounds or more and are used to transport property or persons for compensation;
- rolling stock, aircraft and watercraft used by the owner to transport property or persons for compensation or used by the owner to transport the owners property for sale, rental or further processing; and
- equipment used directly in completion of, or in construction contracts for, the construction, alteration, repair or improvement of property.

Line 4. Enter the total cost paid or accrued during the tax year for all items entered on line 3, column d. If you did not have property moved into Michigan during the tax year, enter the amount on line 4 on line 7 and continue.

Line 5. Enter the description, location, date physically located in Michigan and the federal adjusted basis as of the date moved, of eligible property acquired for use outside Michigan which was moved into Michigan during the tax year for a business use. Do not include mobile tangible assets. The deduction amount is the federal basis used for determining gain or loss as of the date the asset is physically located within the state. If you need more space, attach a separate sheet.

Line 6. Enter the total federal adjusted basis for all items entered on line 5, column d.

Line 7. Add lines 4 and 6. If you are not taxable in another state, enter this amount on C-8000, line 35. If you are taxable in another state, complete line 8.

Line 8. If taxable in another state, multiply line 7 by the percentage from form C-8000H, line 16 or 19, whichever applies. Enter on line 8 as the apportioned cost of depreciable property acquired. Enter the total here and on C-8000, line 35.

Line 9. This figure is being requested for statistical purposes only. Collection of this information is authorized under MCL 208.80(3).

RECAPTURE OF CAPITAL ACQUISITION DEDUCTION

Use Parts 2 - 4 to compute the proceeds (proceeds include any benefit derived) from the disposition of depreciable real or personal property. Use Part 5 to compute the recapture for property moved out of the state. If you need more space, attach separate schedules.

Note: An installment sale of qualifying property reported on the installment method for federal income tax purposes causes a recapture of the entire gross proceeds in the year of the sale. The recapture is reduced by any gain reported in federal taxable income in the year of the sale. The gain attributable to the installment sale that is reported in subsequent years is subtracted from the tax base for those years.

Part 2, Disposition of Depreciable Real Property Acquired in Tax Years Beginning Before October 1, 1989.

Enter gross proceeds from all dispositions of depreciable **real property** (property as described in IRC Section 1250) **located in Michigan** that was acquired on or after January 1, 1976 and in tax years beginning before October 1, 1989.

Line 10, columns a through f. Give all the information required for each disposition in columns a - f.

Line 11, columns e and f. Enter the total gross proceeds in column e. In column f enter the total gain or loss included in your federal taxable income. Total gain is before capital gain deduction.

Line 11, columns e and f. Enter the total gross proceeds in column e. In column f enter the total gain or loss included in your federal taxable income. Total gain is before capital gain deduction.

Line 12, Adjusted Proceeds. Subtract the total gain or add the total loss on line 11, column f, to the gross proceeds on line 11, column e. A loss on line 11, column f, will increase the recapture.

Line 13. Multiply line 11f by the percentage from form C-8000H, line 16 or 19, whichever applies.

Line 14. Apportioned Adjusted Proceeds. If line 13 is a gain, subtract it from 11e. If line 13 is a loss, add it to 11e.

Part 3, Disposition of Depreciable Personal Property Acquired in Tax Years Beginning Before October 1, 1989.

Enter gross proceeds from all dispositions of depreciable **personal property, wherever it is located**, that was acquired on or after January 1, 1976 and in tax years beginning before October 1, 1989.

Line 15, Columns a through f. Give all the information required for each disposition in columns a through f.

Line 16, Columns e and f. Enter the total gross proceeds in column e. In column f enter the total gain or loss included in your federal taxable income. Total gain is before capital gain deduction.

Line 17, Adjusted Proceeds. Subtract the total gain or add the total loss on line 16 column f, to the gross proceeds on line 16 column e. A loss on line 16, column f, will increase the recapture.

Line 18, Apportioned Adjusted Proceeds if Taxable in Another State. Multiply adjusted proceeds on line 17 by the capital acquisition apportionment for the current year from form C-8000H, line 23.

Part 4, Disposition of Depreciable Real and Personal Property That was Sold or Otherwise Disposed of During the Tax Year. Include property acquired in tax years beginning after September 30, 1989 and before January 1, 1997. Also include real and personal property acquired in tax years beginning after December 31, 1996 and located in Michigan, or moved into Michigan after acquisition. Also include mobile tangible assets acquired in tax years beginning after December 31, 1996, whether located in Michigan or outside Michigan.

Line 19. Give all the information required for each disposition in columns a through f.

Line 20. Enter the total gross proceeds in column e. In column f enter the total gain or loss included in your federal taxable income. Total gain is before capital gain deduction.

Line 21, Adjusted Proceeds. Subtract the total gain or add the total loss on line 20, column f, to the gross proceeds on line 20, column e. A loss on line 20, column f, will increase the recapture.

Line 22, Apportioned Adjusted Proceeds if Taxable in Another State. Multiply the amount on line 21 by the percentage from C-8000H, line 16 or 19, whichever applies.

Part 5, Transfers Out of Michigan of All Depreciable Real and Personal Property, Other Than Mobile Tangible Assets, Acquired in Tax Years Beginning After December 31, 1996 for Business Use in Michigan.

Line 23. Give all the information required for each disposition in columns a through e.

Part 6, Total Recapture.

Line 26. Enter here and on your annual return (C-8000, line 36 or C-8044, line 9) or on your *Notice of No Return Required*, C-8030, line 5, the total adjustment required as a recapture for the capital acquisition deduction.

If taxable only in Michigan, add lines 12, 17, 21 and 24. If taxable in another state, add lines 14, 18, 22 and 25.

Exception

For taxpayers meeting *all* of the criteria listed below, a capital acquisition deduction is allowed for the cost paid or accrued in the taxable year of those acquisitions of tangible depreciable real and personal property which will become or are eligible for depreciation or amortization for federal income tax purposes *without regard to where they are located*. The cost is then multiplied by the apportionment percentage from C-8000H.

To qualify, a taxpayer must:

- be headquartered in Michigan;
- be incorporated on or before Jan. 9, 1996;
- have between 2 percent and 10 percent of its retail sales from the sale of prescription drugs; and
- sell at retail, all the following products and for tax years that begin on or after January 1, 1998, more than 20 percent of its sales must come from these products:

food	household products
prescriptions	health care products
cosmetics	beauty care products
carbonated beverages	pet products
beer, wine or liquor	

Complete line 3 and attach a statement that you qualify under MCL 208.23(h).

Use Part 4 to recapture the sale or other disposition of property acquired in tax years beginning after December 31, 1996.

INSTRUCTIONS FOR C-8000G STATUTORY EXEMPTION/ BUSINESS INCOME AVERAGING

Purpose: For **persons other than corporations** to average your business income with the previous four years to compute your statutory exemption.

- **Individuals, Partnerships, Fiduciaries and Limited Liability Companies** - If you have had four taxable years preceding the taxable year 1999 (1995 through 1999), you may choose to average your business income to determine your 1999 statutory exemption.

NOTE: Business income averaging is used only to figure the statutory exemption. Do not use it as the current year business income on any form.

WHAT IS A "TAXABLE YEAR?"

A taxable year is one in which you had business activity, whether or not you filed an annual return. Your tax year for the SBT is the same period covered by your federal return.

REORGANIZATIONS

Certain reorganizations do not interrupt the averaging of the business income. If the parties of the reorganization are not corporations and controlling interest is kept in the resulting organizations (80 percent ownership) by previous owners, the taxable years of the previous owners may be used. If you have a qualifying reorganization, attach an explanation giving the name and account number of all persons involved and the date and description of the reorganization (for example, individual to fiduciary).

Line 2, Account Number. Enter the same account number used on page 1 of your annual return.

Lines 3 through 7. For each taxable year enter business income in column b as reported on the annual return. If business income for any taxable year is negative, enter "0." **If you have no business income because you were not required to file a return** (gross receipts are less than the filing requirement for that year), determine your business income on the appropriate worksheet on page 16 in the instruction booklet. Enter the amount in column b. Attach the worksheet to this form.

If any tax year was less than 12 months, annualize the business income. To annualize: multiply the business income from the annual return by 12 and divide the result by the number of months the business operated. Enter the result in column b. Individuals are not required to annualize. For complete annualizing instructions and an explanation of a partial month, see General Information, page 6.

Line 8. Add the business income on lines 3 through 7 in column b.

Line 9. Divide the total business income determined on line 8 by the number 5 and enter this on line 9. If line 9 is greater than line 3, do not average your business income. If line 9 is less than line 3, use the amount on line 9 to figure your statutory exemption. See the instructions for the *SBT Statutory Exemption Schedule* (form C-8043). Do not use the averaged amount as the current year business income on any form.

Attach this schedule to your return.

INSTRUCTIONS FOR C-8000H APPORTIONMENT FORMULA

Purpose: To determine the portion of your tax base attributable to Michigan for a taxpayer whose business activity is subject to tax both within and without Michigan.

GENERAL INSTRUCTIONS

Your Michigan tax is based only on the business activity you conduct in Michigan. This activity is measured in three factors: property, payroll and sales.

Each factor is weighted; then the weighted figures are added to determine the portion of activity taxable in Michigan. The property and payroll factors are weighted at 5 percent and the sales factor is weighted at 90 percent. There are different formulas for transportation companies, financial organizations and other authorized taxpayers (see *Formulas for Special Situations* on page 35).

Carry all percentages to six decimal places. Do not round percentages. For example, 24.154256 becomes 24.1542 percent (.241542).

Complete the apportionment schedule using amounts for your business activity only. Do not include amounts from an interest in a partnership, S-corporation or LLC.

Property Factor

The property factor is equal to the average value of all real and tangible personal property, owned or rented in Michigan divided by the average value of all property owned or rented everywhere, multiplied by the weighted factor. **Tangible personal property** includes machinery, tools, inventory, implements, equipment, goods, wares and merchandise. **Real property** includes land, buildings, leasehold improvements and construction in progress.

Determine the **average value** of your property by averaging the values at the start and end of the tax period. The Commissioner of Revenue may require the periodic averaging of values during the tax year if reasonably required to reflect properly the average value of the taxpayer's property.

Value property you own at its original cost.

Value property you rent at eight times the net annual rental rate, which is the annual rental rate paid less any rental rate received from subrentals.

The factor is computed by dividing the total value of your Michigan property (line 5) by the total value of all your property (line 8).

Payroll Factor

Payroll consists of wages paid during the tax year.

The payroll factor is equal to total wages paid in Michigan divided by the total wages paid everywhere, multiplied by the weighted factor. **Total payroll should equal the amount you entered on form C-8000, line 12.**

For purposes of apportionment only, **wages** means wages as defined in IRC Section 3401.

Wages are considered paid in Michigan if:

1. the employee's service is performed entirely in Michigan;
2. the employee's service is performed in Michigan and in other states, but the service performed outside Michigan is incidental to the employee's service in Michigan;
3. some of the employee's service is performed in Michigan and the base of operations or the place from which the service is controlled is in Michigan; or
4. the base of operations or place from which the service is controlled is not in any state in which some part of the service is performed, but the individual's residence is in Michigan.

The factor is computed by dividing the wages paid in Michigan during the tax year (line 10) by the total wages paid everywhere (line 11).

Sales Factor

Sales include gross receipts from the sale of tangible property, from the rental of property and from services provided as part of your business activity (e.g. legal or accounting services). **Sales should equal the amount entered on form C-8000, line 10.** The sales factor is equal to total sales in Michigan divided by the total sales everywhere, multiplied by a weighted factor.

NOTE: P.A. 225 of 1998 eliminated the "throwback" provision in the sales factor of the Michigan Single Business Tax apportionment formula, effective for tax years beginning on or after January 1, 1998, for all taxpayers eligible for apportionment under MCL 208.42.

P.A. 225 did not amend MCL 208.40 or MCL 208.42. Therefore, taxpayers whose business activities are confined solely to Michigan are not eligible for apportionment, or the elimination of the "throwback" provision. Sales of tangible personal property that are shipped from Michigan to a destination outside of Michigan will continue to be Michigan sales, unless the taxpayer is *subject to tax* in another state.

A filer is subject to tax in another state if in that state, the filer is subject to a business privilege tax, a net income tax, a franchise tax measured by net income, a

franchise tax for the privilege of doing business, a corporation stock tax, or a tax of the type imposed under the Michigan SBT Act, or that state has jurisdiction to subject the filer to one or more of the taxes regardless of whether the tax is imposed. A taxpayer will be subject to a tax in another state if the taxpayer has Due Process and Commerce Clause nexus with that state.

Sales of **tangible personal property** are attributable to Michigan if the property is shipped or delivered to any purchaser within Michigan regardless of the free on board (F.O.B.) point or other conditions of the sales.

Sales **other than the sale of tangible personal property** are attributable to Michigan if:

1. the business activity is performed in Michigan;
2. the business activity is performed both in Michigan and in other states, but based on the cost of performance, a greater proportion is performed in Michigan; or
3. receipts are derived from services performed for planning, designing, or construction activities within Michigan.

The factor is computed by dividing the total Michigan sales (line 13) by the total sales everywhere (line 14).

Example 1

Factor	Column A		Column B		Column C
Property	10%	x	5%	=	0.5%
Payroll	10%	x	5%	=	0.5%
Sales	50%	x	90%	=	<u>45%</u>
					46%

Your apportionment percentage is 46%.
Enter this percentage on line 16.

FORMULAS FOR SPECIAL SITUATIONS

Fewer Than Three Factors

If your business does not have three factors (if line 8, 11 or 14 is zero), you must reweight the factors to compute your apportionment percentage. To reweight, add the weighted percentages in column C for the factors you have; then add the weighting factors in column B for the factors you have. Divide the sum of column C by the sum of column B. Use this percentage to figure your apportioned tax base on C-8000, line 33.

Example 2

Factor	Column A		Column B		Column C
Property	10%	x	5%	=	0.5%
Payroll	none				
Sales	50%	x	<u>90%</u>	=	<u>45%</u>
			95%		45.5%

$45.5\% \div 95\% = 47.8947\%$ (.478947).

Enter this percentage on line 16.

Transportation of Oil by Pipeline

The apportionment percentage used for the transportation of oil by pipeline is based on barrel-miles. Enter on line 17 the barrel-miles transported in Michigan during the tax year. Enter on line 18 the total barrel-miles transported everywhere during the tax year. Divide line 17 by line 18. Use this percentage to figure your apportioned tax base on C-8000, line 33.

Transportation of Gas by Pipeline

The apportionment percentage used for the transportation of gas by pipeline is based on 1,000 cubic-foot miles. Enter on line 17 the 1,000 cubic-foot miles transported in Michigan during the tax year. Enter on line 18 the total 1,000 cubic-foot miles transported everywhere during the tax year. Divide line 17 by line 18. Use this percentage to figure your apportioned tax base on C-8000, line 33.

Other Transportation Services

The apportionment percentage used for other transportation services is based on revenue-miles. A **revenue-mile** means the transportation of one net ton of property or one passenger for the distance of one mile. For example: 40 tons x 100 miles = 4,000 revenue miles. Enter on line 17 the revenue-miles transported in Michigan during the tax year. Enter on line 18 the total revenue-miles transported everywhere during the tax year. Divide line 17 by line 18. Use this percentage to figure your apportioned tax base on C-8000, line 33.

If you transport both property and passengers, determine the portion subject to Michigan tax by first computing separate percentages (as described above)

for property transported and for passengers transported. Then divide your gross receipts for each activity by the total gross receipts. Multiply the percentage of gross receipts by the transportation percentage. Sum the results of both calculations and use this percentage to figure your apportioned tax base on C-8000, line 33.

Example 3: Formula for Transportation Services

Michigan revenue-miles for property	×	Gross receipts for property
Total revenue-miles for property		Total gross receipts
+		
Michigan revenue-miles for people	×	Gross receipts for people
Total revenue-miles for people		Total gross receipts
<hr/>		
= Your apportionment percentage		

Financial Organizations

The apportionment percentage used by a financial organization is based on gross business. **Gross business** is the sum of:

1. fees, commissions or other compensation for financial services;
2. gross profits from trading in stocks, bonds, or other securities;
3. interest charged to customers for carrying debit balances of margin accounts without deduction of any costs incurred in carrying the accounts;
4. interest and dividends received; plus
5. any other gross income resulting from operations as a financial organization.

Enter on line 17 your gross business in Michigan during the tax year. Enter on line 18 the total gross business everywhere during the tax year. Divide line 17 by line 18. Use this percentage to figure your apportioned tax base on C-8000, line 33.

LINE-BY-LINE INSTRUCTIONS

If 100 percent of your property and payroll are attributable to Michigan, you must show proof that substantial nexus has been created with another state. Please attach copies of returns filed with that state or a description of activity in that state to help us verify nexus.

Lines not listed are explained on the form.

Lines 2, Account Number. Enter the same account number used on page 1 of your annual return.

Part 1, Computation of Apportionment Percentage.

Line 9. Multiply the amount in column A by 5 percent and enter the total in column C.

Note: The Commissioner of Revenue may require periodic averaging of property values during the tax year if this is reasonably required to reflect the average value of the filer's property.

Line 12. Multiply the amount in column A by 5 percent and enter the total in column C.

Line 15. Multiply the amount in column A by 90 percent and enter the total in column C.

Line 16. Add the percentages in column C lines 9, 12 and 15 to arrive at apportionment percentage. Use this percentage to figure your apportioned tax base on C-8000, line 33 unless you have fewer than 3 factors or use a formula for a special situation.

Part 2, Transportation Services, Financial Organizations, or Taxpayers Authorized to Use a Special Formula.

Lines 17-19. Use these lines if you provide transportation services, are a financial organization or if you are authorized by the Revenue Commissioner to use a special formula (see *Formulas for Special Situations* on page 35). If you use these lines, attach a detailed explanation.

Part 3, Capital Acquisition Apportionment

Complete this section only if you disposed of depreciable personal property that you acquired in a tax year beginning before October 1, 1989.

Line 23. If you have both property and payroll factors, (you entered amounts greater than zero on lines 8 and 11), divide line 22 by 2 to get the average percentage. If you have only one factor, enter the percentage shown on line 22.

Use this percentage to compute your recapture of capital acquisition deduction on form C-8000D, line 18.

Attach this schedule to your annual return.

INSTRUCTIONS FOR C-8000KC SCHEDULE OF SHAREHOLDERS AND OFFICERS

Purpose: For all **corporations** to determine eligibility for the standard small business credit or alternate tax and for professional and S-corporations to determine which shareholders qualify for the increased exemption.

New: For the purpose of computing the statutory exemption only, a member of an LLC is treated as a shareholder if the LLC is taxed as a corporation.

If you are filing as a corporation and claiming a statutory exemption, standard small business credit or are calculating the alternate tax, complete this form and attach it to your annual return to report:

- qualified shareholders for the increased statutory exemption.
- compensation and director fees of all shareholders for the computation of the statutory exemption.
- shareholders and officer qualifications for the small business credit.
- compensation and director fees of active shareholders and all officers for the computation of the small business credit.

Lines not listed here are explained on the form.

Line 2, Account Number. Enter the same account number used on page 1 of your annual return.

Part 1, Line 3 (Columns A-M). Shareholders and Officers.

In column 3A, a through h, list and describe all shareholders and officers who:

- are employees of the corporation,
- are directors of the corporation, or
- own 20 percent or more of the stock of the corporation including those by attribution.

An **officer** of any corporation, **other than an S-corporation**, includes the chairperson of the board, president, vice-president, secretary and treasurer, or persons performing similar duties.

Columns A and B: Identify each officer and shareholder (including corporation and trust and those with ownership by attribution) by name and Social Security number. Corporations or trusts, identify using federal employer identification number.

NOTE: Rules of attribution do not differentiate between an adult and a minor child (IRC Section 318(a)(1)).

Column D: Enter the percent of each shareholder's time that is spent working in this business. (This requirement is for statutory exemption only.)

Column E: Enter the percent of outstanding stock each officer or shareholder owns. If a shareholder owned stock for a period less than the corporation's tax year, multiply that shareholder's percentage of ownership by the number of months owned and divide the result by the number of months in the corporation's tax year. ***You must account for 100 percent of the stock.*** If it is not accounted for, your return may be delayed.

Column F: Enter the percent of outstanding stock each shareholder owns, including attribution of ownership from family members under IRC section 318(a)(1). The percentage of ownership in column F ***must be greater than or equal*** to the percentage of ownership in column E.

Column G: Enter the percent of outstanding stock each shareholder owns, including attribution of ownership **only** from or to family members who are **not** active shareholders (See definition of active shareholders on the next page). For the purposes of determining disqualification, an active shareholder's share of business income is not attributed to another active shareholder.

Example

In this case, the husband and daughter are active shareholders. The wife and son are non-active because compensation, directors fees or dividends from the business are less than \$10,000.

	% Stock		
	Column E	Column F	Column G
Husband (active)	40%	100% (all shareholders)	70% (husband, wife & son)
Wife (inactive)	10%	100% (all shareholders)	100% (all shareholders)
Son (inactive)	20%	70% (husband wife & son)	70% (husband, wife & son)
Daughter (active)	30%	80% (daughter, husband & wife)	40% (daughter, & wife)

NOTE: Column G is the same as Column F, minus any attribution between two active shareholders. All columns should add up to at least 100 percent.

Column H: Enter total dividends received by each shareholder during the tax year from this business (used to determine active shareholders). This includes regular distributions for an S-corporation.

Column I: Enter salaries, wages and director's fees from C-8000, line 12 that are attributable to each shareholder or officer.

Column J: Enter employee insurance payments and pensions from C-8000, lines 13 through 15, that are attributable to each shareholder or officer.

Column L: In determining share of business income, the Department of Treasury cannot attribute stock ownership between two active shareholders.

Multiply the amount on form C-8000C, line 6 (sum of business income and losses) by the percentage in column G for each shareholder and enter the result in column L.

Members of a controlled group or affiliated companies. Multiply the percentage in column G by the sum of the following:

- business income on C-8000, line 11
- any capital loss carryover or carryback on your C-8000, line 21.
- any net operating loss carryover or carryback on your C-8000, line 22

Remember, percentages in column G must be equal to or greater than those in column E.

Part 2, Lines 4 and 5. Statutory Exemption.

Line 4, Qualified Shareholders. S-corporations and professional corporations, enter on line 4 the number of shareholders who qualify for the increased exemption. Enter the same number on C-8043, line 8a.

A qualified shareholder:

- is a shareholder of an S-corporation or professional corporation (PC), and
- is a full-time employee of the taxpayer or devotes at least 51 percent of his or her time to the business (column D = 51 percent or more), and
- owns (without attribution) at least 10 percent of the business (column E = 10 percent or more), and
- whose share of business income is at least \$12,000. Share of business income = compensation + share of business income determined without attribution.

For short-period returns or a part-year shareholder, the shareholder's business income must be annualized to meet this requirement. See page 6.

Note: A person cannot serve as a qualified shareholder in more than one business.

Line 5, Compensation and Director's Fees of All Shareholders. All corporations, regardless of type, should add the compensation and director's fees in column K for each shareholder showing ownership in column E and enter the result on C-8043, line 5.

Note: You must complete the Statutory Exemption Schedule (form C-8043) to determine the allowable exemption.

Part 3, Lines 6 and 7. Small Business Credit.

Line 6, Compensation and Director's Fees of Active Shareholders. Add compensation and director's fees in column K for each active shareholder and enter the result on line 6 and on form C-8000C, line 7.

An active shareholder:

- is a shareholder of the corporation, *including through attribution*, and
- owns at least 5 percent of outstanding stock, *including through attribution*, (column F = 5 percent or more), and
- receives at least \$10,000 in compensation, director fees or dividends from the business (sum of columns H and K = \$10,000 or more).

For short-period returns or part-year shareholder the shareholder's compensation, director fees and dividends must be annualized to meet this requirement. See page 6 for complete annualization instructions.

Line 7, Compensation and Director's Fees of Officers. Add the compensation and directors fees in column K for each officer who is **not** an active shareholder and enter the result on line 7 and on C-8000C, line 8.

Remember, officers of an S-corporation are not included in this calculation.

NOTE: If you are filing the simplified return (form C-8044), enter the total of lines 6 and 7 on line 12 of that form.

INSTRUCTIONS FOR C-8000KP SCHEDULE OF PARTNERS

Purpose: For all **partnerships** to determine eligibility for the partnership's standard small business credit or alternate tax and which partners qualify for the increased exemption.

New: For the purposes of computing the statutory exemption and the small business credit, a member of an LLC is treated as a partner if the LLC is taxed as a partnership.

For claiming an increased statutory exemption, a **qualified partner** is one who:

- spends at least 51 percent of his or her time working in the business (column C is 51 percent or more), **and**
- owns at least 10 percent of the business (column D is 10 percent or more), **and**
- has a share of business income (column E) of at least \$12,000.

Lines not listed here are explained on the form.

Line 2, Account Number. Enter the same account number used on page 1 of your annual return.

PARTNER IDENTIFICATION

Part 1, line 3 (Columns A-E).

Column C: Enter the percent of each partner's time that is spent working in the business.

Column D: Enter the percent of profits or capital interest of this partnership owned by each partner. If a partner owned this interest for a period less than the partnership's tax year, multiply that partner's percentage of ownership by the number of months owned and divide the result by the number of months in this partnership's tax year.

Column E: Enter partner's distributive share of income, losses and deductions from U.S. 1065, *Schedule K-1*. (See partnership business income on Worksheet 3, page 16 in this booklet.) Each partner's distributed share includes guaranteed payments to partners. If any partner has a share of business income (column E) of over \$115,000, the partnership is not eligible for the standard small business credit or the alternate credit.

STATUTORY EXEMPTION

Part 2, lines 4 and 5.

Line 5: Enter the total number of partners who qualify for the increased exemption. Enter this same number on C-8043, line 8a.

For short-period returns or part-year partners, the partner's share of business income must be annualized to meet this requirement.

NOTE: A person cannot be a qualified partner or shareholder in more than one business.

***Example of Qualified Partners.** Business Income reported on form C-8000, line 11, equals \$34,000, which includes guaranteed payments to partners of \$18,000. Guaranteed payments to partners are assigned to the appropriate partner, in this case \$9,000 each to partners A and B. Each partner's distributive share of the remaining income is then calculated based on the percentage of the partnership owned.*

<u>Partners</u>	<u>%Time</u>	<u>%Own</u>	<u>Share</u>
A	100	25	\$13,000
B	100	25	\$13,000
C	0	50	\$ 8,000

Only partners A and B of this partnership qualify. Both A and B devote at least 51 percent of their time, own at least 10 percent of the business and have business income of at least \$12,000. Business income of A and B includes \$4,000 ordinary income plus \$9,000 guaranteed payments.

Attach this schedule to your return.

INSTRUCTIONS FOR C-8000MC

MISCELLANEOUS CREDITS

Purpose: To allow eligible taxpayers to claim the Michigan Economic Growth Authority, Workers' Disability Supplemental Benefit, Apprenticeship, Enterprise Zone, Renaissance Zone, Michigan Historic Preservation, Brownfield and Capital Acquisition Deduction credits. Review the descriptions carefully before claiming a credit as there are strict eligibility requirements. Follow the instructions on the form for each credit.

PART A: Refundable Credits

The Michigan Economic Growth Authority (MEGA) Employment Tax Credit promotes economic growth and jobs in Michigan. Projects must be certified by MEGA. Approved businesses receive a certificate from MEGA each year showing the total amount of tax credit allowed. Attach your *Annual Tax Credit Certificate* to your return to substantiate your claim. Your credit will be disallowed if the certificate is not attached. For more information, call the Michigan Economic Development Corporation at 517-373-9808.

Workers Disability Supplemental Benefit (WDSB) Credit is available to self-insured employers only for the amount authorized by the Department of Consumer and Industry Services during the tax year. The authorization date and the amount of credit are on the credit list (LW06401-Z04) given to you by the Department of Consumer and Industry Services. Attach a copy of the credit list(s) to your return to substantiate your claim. For more information on WDSB credit eligibility, call the Michigan Department of Consumer and Industry Services, Bureau of Workers Disability Compensation at 517-322-1879.

The Apprenticeship Credit encourages businesses to hire and provide training to young people. The credit equals 50 percent of the payroll expenses paid for the benefit of an apprentice in a qualified program *plus* 100 percent of the cost of classroom instruction and related expenses. Apprentices must be 16 - 19 years old and enrolled in either high school or a GED program. The credit is available in tax years beginning after December 31, 1996 and before January 1, 2000. Maximum credit is \$2,000 annually per apprentice. To substantiate your claim, attach a copy of an approved federal *ETA 671* form to your return for each apprentice. For more information, call the U.S. Department of Labor, Bureau of Apprenticeship and Training at 517-377-1746.

Additional Information: Michigan's School-to-Registered Apprenticeship System has a web site at:

www.stra.educ.msu.edu

PART B: Nonrefundable Credits

The Enterprise Zone Credit was created to encourage businesses to locate and expand in areas with high unemployment, low income, high property taxes and low property value. A certified business is eligible for a credit equal to the amount of tax liability attributable to business activity in the enterprise zone for 10 years from the date that the business was certified. The only certified enterprise zone eligible for this credit is in Benton Harbor. No new applications are being accepted for this credit. Be sure to enter the street address or the parcel number of the property before you begin the calculation. For more information, request *Revenue Administrative Bulletin 1993-10* or call the Michigan Economic Development Corporation at 517-373-9808.

The Michigan Economic Growth Authority (MEGA) Business Activity Tax Credit promotes economic growth and jobs in Michigan. Projects must be certified by MEGA. Each year, approved businesses receive a certificate from MEGA showing the total amount of tax credit allowed. Attach your *Annual Tax Credit Certificate* to your return to substantiate your claim. Your credit will be disallowed if the certificate is not attached. If the credit exceeds your tax liability for the year, the difference may be carried forward for the next 10 tax years. For more information, call the Michigan Economic Development Corporation at 517-373-9808.

The Renaissance Zone Credit encourages businesses and individuals to move into a designated zone to help revitalize the area. A business located and conducting business activity within a renaissance zone may claim a credit for tax years beginning after December 31, 1996. Be sure to enter the street address or the parcel number of the property before you begin the calculation. Any business activity related to a casino (including operating a parking lot, hotel, motel or retail store), cannot be used to calculate this credit.

For tax years beginning in 1999, a business is not eligible for this credit if, as of Dec. 31, 1998, it was delinquent in paying a property tax, single business tax or city income tax. If a claimed credit is disallowed, you will be notified.

For more information on renaissance zones, contact the Michigan Economic Development Corporation at 517-373-9808 or 1-800-94-NO-TAX. For information on the SBT credit, contact the Single Business Tax Division at 517-373-8030.

The Michigan Historic Preservation Credit

provides tax incentives for homeowners, commercial property owners and businesses to rehabilitate historic commercial and residential resources located in the state of Michigan. For tax years beginning after December 31, 1998 and before January 1, 2003, a nonrefundable credit is available based upon the qualified expenditures made for rehabilitating an historic resource.

You must attach form 3581, *Michigan Historic Preservation Tax Credit*, as well as certification from the Michigan Historical Center and a detailed list of qualified expenditures.

Forms are available from 1-800-FORM-2-ME (1-800-367-6263) or on the Michigan Department of Treasury web site at: www.treasury.state.mi.us Questions regarding federal and state certification may be directed to the State Historic Preservation Office at 517-373-1630.

Additional Information: The State Historic Preservation Office has a web page at: www.sos.state.mi.us/history/preserve/ Information about Federal Historic Preservation Tax Incentives is available at: www2.cr.nps.gov/

The Brownfield Credit encourages businesses to make new investment on a Michigan property where hazardous substances have been released. Be sure to enter the street address or parcel number of the property before you begin the calculation. This credit is equal to 10 percent of the cost of eligible investment paid or accrued during the tax year. Eligible investments include costs for demolition, construction, restoration, alteration, renovation or improvement of buildings on the eligible property, and the addition of machinery, equipment and fixtures to the eligible property.

What is eligible investment? You may claim only that investment that meets *all* of the following criteria.

- Investment made on a property that is designated within a brownfield plan as *eligible property*.
Eligible property has had hazardous substances released on it. Only investments made on that property, *not* adjacent or contiguous properties, are eligible for this credit.
- The investment must be made after the brownfield plan designating the eligible property was adopted and after *eligible activities* under the plan have begun.
Eligible activities are one or more of the following:
 - a. baseline environmental assessment,
 - b. due care activities, or
 - c. additional response activities.

Note that these eligible activities must be started

before any investment you make can be claimed for an SBT brownfield credit.

- If you were, in any way, responsible for the release of hazardous substances on the property, you may not claim a credit for that property. When you claim this credit, you are stating that you are not liable for response activity at the eligible property for which you are claiming a credit (P.A. 451 of 1994; MCL section 324.20126).

Note: If tangible assets are sold or disposed of or transferred from eligible property to any other location after a credit has been taken for the purchase of those assets, 10% of the federal basis used for determining gain or loss as of that date must be added to the tax liability.

The maximum lifetime brownfield credit for a taxpayer and its affiliates is \$1,000,000. This can be received in the first year or over a period of years.

For the credit to be valid, attach completed *Request for Approval of Brownfield Redevelopment Credit* (form 3397). This form must have a valid seal affixed. It has been furnished to the local municipalities and is also available by calling 1-800-FORM-2-ME (1-800-367-6263) and on the Michigan Department of Treasury web site at:

www.treasury.state.mi.us

If the credit exceeds your tax liability for the year, the difference may be carried forward for the next 10 tax years. For information about eligibility requirements or how to file a Brownfield Redevelopment Plan, contact your local Brownfield Redevelopment Authority. For questions about the credit, contact the Single Business Tax Division at 517-373-8030.

Additional Information: The Brownfield Non-Profit Network has a web page at:

www.brownfieldsnet.org

The Capital Acquisition Deduction Credit limits any tax increase resulting from changes to the apportionment formula and capital acquisition deduction between the law in effect in 1996 and the current year, to \$5,000,000 per year. The credit may not be claimed against the tax base of insurance companies or by a firm that has an adjusted tax base over 50 percent of its gross receipts and chooses to reduce its tax base by the excess. The credit is effective for tax years beginning in 1997.

Attach this schedule to your return.

INSTRUCTIONS FOR C-8000S REDUCTIONS TO ADJUSTED TAX BASE

Purpose: To reduce your adjusted tax base by excess compensation or gross receipts.

If either of the following applies to you, you may reduce your tax base before figuring your tax.

1. Total compensation (from C-8000, line 16), comprises more than 63 percent of your tax base.
2. Adjusted tax base (from C-8000, line 42) is greater than 50 percent of gross receipts plus recapture.

Carry all percentages to six decimal places. Do not round percentages. For example 24.154256 percent becomes 24.1542 percent (.241542).

Line 2, Account Number. Enter the same account number used on page 1 of your annual return.

Part 1, Compensation Reduction.

Lines 3 - 8. In this part, you compute the percentage of your tax base that is attributable to compensation, then compute the amount by which you can reduce your adjusted tax base. If your tax base is made up of more than 63 percent compensation, you may reduce your adjusted tax base by the percentage that is more than 63 percent. For example, if 70 percent of your tax base is made up of compensation, you may reduce your adjusted tax base by 7 percent (70 - 63). Complete Part 2 and determine which method is to your advantage.

Part 2, Gross Receipts Reduction.

SHORT-METHOD FILERS COMPLETE LINES 9 - 14 ONLY. Short-method filers should enter the amount from line 14 on C-8000, line 44.

Lines 9 -15. In this part, you compute 50 percent of your apportioned gross receipts plus recapture of the capital acquisition deduction. Then you compute the amount by which you can reduce your adjusted tax base.

Part 3, Summary

Line 16. You may use only one method to reduce your adjusted tax base. Compare the amounts on lines 8 and 15. Enter the larger amount here and on your C-8000, line 43.

Attach this schedule to your return.

INSTRUCTIONS FOR C-8009
ALLOCATION OF STATUTORY EXEMPTION, STANDARD SMALL
BUSINESS CREDIT AND ALTERNATE TAX FOR
MEMBERS OF CONTROLLED GROUPS

Purpose: To supplement the C-8000C and the C-8043 for members of controlled groups.

All controlled groups, including affiliated groups, controlled groups of corporations and entities under common control, must complete this schedule to allocate the statutory exemption and calculate the standard small business credit or alternate tax.

Controlled groups are two or more trades or businesses (whether or not incorporated) under common control as defined in the Internal Revenue Service Regulation 1.414(c). This includes parent-subsidiary, brother-sister or combined groups of corporations.

An **affiliated group** is two or more corporations, one of which owns or controls, directly or indirectly, 80 percent or more of the capital stock of the other corporation(s) with voting rights.

Exception: Groups of corporations that have received approval and are filing a consolidated SBT annual return do not need to file this schedule, unless there are members of the controlled group not included in the consolidated filing.

If the group is eligible and files a consolidated SBT return, compute the small business credit or alternate tax on a consolidated basis using form C-8000C.

Note: If you are a member of an affiliated group, a controlled group of corporations or an entity under common control, the group must sum its members' adjusted gross receipts to determine if members of the group need to file. Do not include members whose adjusted gross receipts are less than \$100,000; these members are not required to file an SBT return.

Members whose adjusted gross receipts are less than \$100,000 must include their business activity when figuring the small business credit on the C-8009. For these members, report *tax before credits* on lines 12 and 22 as zero.

Controlled groups as defined in the IRC are not eligible for the standard small business credit or alternate tax unless the business activities of the entities are consolidated, whether or not a consolidated SBT return is filed. This means the gross receipts, adjusted business income and tax base of **all** members of the group must be combined to determine eligibility and to compute this credit.

Do not include members who have no activity in Michigan.

In other words, if the combined gross receipts exceed \$10 million or the combined adjusted business income after loss adjustment exceeds \$475,000 or any one individual, partner, officer or shareholder (including corporate shareholders) has allocated income after loss adjustment of more than \$115,000 from any one member of the group, the group is not eligible for credit.

New: For the purposes of computing the statutory exemption and the small business credit, a member of an LLC is treated as a partner if the LLC is taxed as a partnership. For the purpose of computing the statutory exemption only, a member of an LLC is treated as a shareholder if the LLC is taxed as a corporation.

If claiming either the alternate credit or the standard small business credit, each member must calculate its tax before credits on form C-8000.

Determine the combined credit and each member's share of the credit on form C-8009.

Attach a copy of this schedule to each member's C-8000 claiming a statutory exemption, standard small business credit or alternate tax.

All members must choose the same credit calculation (standard or alternate).

SMALL BUSINESS CREDIT ELIGIBILITY

The standard small business credit and the alternate tax are **not** available to members of a controlled group if any of the following conditions exist:

- combined gross receipts (line 11, column D) over \$10 million;
- combined adjusted business income (line 10, column D) minus loss adjustment over \$475,000;
- a member is an individual (sole proprietor) or fiduciary with business income minus loss adjustment over \$115,000.
- a member has a partner with distributive share of business income minus loss adjustment (member's C-8000KP, column E) over \$115,000; or
- a member has a shareholder or officer with allocated income minus loss adjustment over

\$115,000. Allocated income is computed on form C-8000KC.

For tax years beginning after December 31, 1997 the small business credit disqualifier increased from \$95,000 to \$115,000. The small business credit is reduced if an individual, a partner in a partnership or a shareholder or officer of a corporation has allocated income after loss adjustment between \$95,000 and \$115,000. This reduction is based on the individual/partner/officer/shareholder with the largest allocated income.

If a member of the group has a tax year less than 12 months, its gross receipts, adjusted business income and share of business income must be annualized to determine eligibility and to compute the small business credit. If annualized gross receipts exceed \$9 million but are less than \$10 million, you must complete Part 6. See page 6 for complete annualizing instructions.

Loss Adjustment. If you are not eligible for the full small business credit or the alternate tax calculation due to an adjusted business income or allocated income disqualifier, you may benefit from the *SBT Loss Adjustment Worksheet* (see page 25). If your adjusted business income was less than zero in any of the five years immediately preceding the tax year for which you are claiming a credit and you received a small business credit for that same year, you may adjust for the loss. A loss adjustment will not affect a reduction to the small business credit based on gross receipts that exceed 9 million. It will also not change the amount of allocated income on C-8000KC, Column K for a C-corporation.

CONTROLLED GROUPS THAT HAVE MEMBERS WITH DIFFERENT TAX YEARS

Each member's business activities attributable to its tax year ending within the 1999 calendar year are consolidated on this form to allocate the statutory exemption and determine standard small business credit or alternate tax. **This determination cannot be made until the end of the latest tax year in the group.**

Members with earlier tax years may:

1. request an extension; or
2. file the SBT returns without claiming either the statutory exemption or the small business credit.

Determine the exemption allocation and credit when the member having the latest year end completes its tax year. Other members must then

amend their returns to claim any exemption or credit. **The total credit cannot be allocated to the return with the latest year end.**

LINE-BY-LINE INSTRUCTIONS

Lines not listed are explained on the form.

Line 2, Account Number. Enter the same account number used on page 1 of your annual return.

Part 1, Member Identification. Enter in the appropriate column the name, year end, FEIN and organization type of each member. When completing the rest of this form, use the lower case letter (a, b, c, etc.) to the left of each name to refer to a member. If you need more space, attach a schedule identifying additional members with consecutive letters.

Part 2, Statutory Exemption.

One statutory exemption is allowed to a controlled group, affiliated group or a group of entities under common control. Allocate the exemption to members using any method agreeable to all members.

Members whose adjusted gross receipts are less than \$100,000 are not required to use any portion of the statutory exemption, but must include their business activity when figuring the small business credit.

Enter on line 4 the portion of the statutory exemption that is allocated to each member. Use the amount allocated to calculate the allowable exemption for each member on C-8043.

Part 3, Adjusted Business Income. Business income is adjusted by loss carry forwards and carry backs from your *SBT Annual Return* (form C-8000), and by compensation and directors' fees of active shareholders and officers from form C-8000KC.

Part 4, Alternate Tax for Small Businesses. The alternate tax computation is a simplified way of computing your SBT while still allowing a small business credit. Calculate an alternate tax credit for the group. Each member's share of alternate credit is based on the ratio of its tax liability before credits to total combined tax liability before credits. Compute your tax using both the alternate tax and the standard small business credit and file using the method to the group's advantage.

A reduction to the small business credit is required if an individual, a partner in a partnership, or a shareholder or officer of a corporation has allocated income after loss adjustment between \$95,000 and \$115,000.

Where the allocated income after loss adjustment is between \$95,000 and \$115,000 for any member of a controlled group, the reduction percentage will apply to all members of the controlled group. This reduction is based on the individual/partner/officer/shareholder with the largest allocated income.

Line 16b. If the allocated income after loss adjustment is between \$95,000 and \$115,000 for any member of a controlled group, multiply line 16a by the percentage from the table on page 22 and enter the result on line 16b.

Line 17. Subtract line 16a or 16b (whichever is applicable) from line 12 and enter the result on line 17.

Part 5, Standard Small Business Credit. Use this section to determine the group's standard small business credit. Calculate a combined credit percentage for the group. This percentage is then used to calculate each entity's standard small business credit.

A reduction to the small business credit is required if an individual, a partner in a partnership, or a shareholder or officer of a corporation has allocated income after loss adjustment between \$95,000 and \$115,000.

Where the allocated income after loss adjustment is between \$95,000 and \$115,000 for any member of a controlled group, the reduction percentage will apply to all members of the controlled group. This reduction is based on the individual/partner/officer/shareholder with the largest allocated income.

Line 23b. If the allocated income after loss adjustment is between \$95,000 and \$115,000 for any member of the controlled group, enter the percentage from the table on page 22 and multiply line 23a by that amount. Enter the result on line 23b.

Line 24. Subtract line 23a or 23b (whichever is applicable) from line 22 and enter the result on line 24.

Part 6, Gross Receipts Reduction. Complete this section only if your combined gross receipts are more than \$9 million but less than \$10 million. Annualize for tax periods less than 12 months.

Part 7. If you are claiming contribution credits, enter this amount on form C-8000C, line 27. If not, enter this amount on form C-8000, line 46.

REMEMBER: The group must choose either the alternate tax or the standard small business credit. All members must use the same calculation.

INSTRUCTIONS FOR C-8020 PENALTY AND INTEREST COMPUTATION FOR UNDERPAID ESTIMATED TAX

Purpose: To compute penalty and interest for underpaying, late filing or late payment of quarterly estimates. *If you prefer not to file this form, Treasury will compute any applicable penalty and interest and bill you.*

Estimated returns and payments are required from any taxpayer who expects an annual SBT liability of more than \$600. Exceptions are listed below. If you owe estimated tax and your estimated return with full payment is not filed or is filed late, a penalty of 5 percent of the tax per month (maximum of 50 percent) will apply. If you made no estimated tax payments and none of the exceptions below apply to you, compute the interest due (Part 2) and the penalty for non-filing (Part 3).

If an estimated return is filed with an insufficient payment, a 10 percent negligence penalty or 25 percent intentional disregard penalty may apply. If your estimated tax payments are underpaid and none of the exceptions below apply to you, compute the interest for underpayment in Part 2. If the 10 percent negligence penalty or 25 percent intentional disregard penalty applies, Treasury will bill you.

Exceptions

If any of the conditions listed below apply to you, you do not need to file this form or pay penalty and interest. If your business operated less than 12 months in the preceding year, annualize your figures to determine if the exceptions apply. See page 6 for complete annualizing instructions.

1. The annual tax on your current annual return is \$600 or less.
2. You had business activity in Michigan in the preceding tax year, but reported no tax liability or were not required to file an SBT return for that year.
3. Your estimated quarterly payments reasonably approximate the tax liability incurred for each quarter, and the total of all payments equals at least 85 percent of your annual liability. Complete the annualization worksheet if your liability is not evenly distributed through your tax year.
4. Your estimated quarterly payments reasonably approximate the tax liability incurred for each quarter, and the total of all payments equals at

least 1 percent of the gross receipts for the tax year. Complete the annualization worksheet if your liability is not evenly distributed through your tax year.

5. You are a farmer, fisher or seafarer and file your C-8000 annual return by March 1 or a tentative annual return with your payment by January 15 and your final annual return on or before April 15.
6. The sum of your estimated payments equals the annual tax on the preceding year's return providing these payments were made in four timely equal payments (or 12 if paid on your SUW returns) and the preceding year's tax was \$20,000 or less.

LINE - BY - LINE INSTRUCTIONS

Lines not listed are explained on the form.

Line 2, Account Number. Enter the same account number used on page 1 of your annual return.

Part 1, Estimated Tax Required for the Year.

Line 4. Enter 85 percent of the annual tax amount on line 3. If your preceding year's tax was less than \$20,000 (annualize if less than 12 months), enter the smaller of the preceding year's tax or 85 percent of line 3.

Line 5. Payment Due Dates. Enter the due date for each quarterly return. For calendar-year filers these dates are April 30, July 31, October 31 and January 31. For fiscal-year filers, these dates are four, seven, 10 and 13 months after the start of your fiscal year. Payment is due on the last day of the month.

Line 6. Divide the amount of the estimated tax required for the year on line 4 by 4 and enter this as your estimated tax for each quarter. If your business operated less than 12 months, divide by the number of quarterly returns required and enter this as your estimated tax for each quarter.

Actual Quarterly Tax. If you compute quarterly tax based on the actual tax base for each quarter, enter the tax from line 29 of the annualization worksheet. The total of the four computed amounts cannot be less than 85 percent of the current year tax liability.

Line 7. Complete column A only. Enter the amount of prior year overpayment credited to your current year tax estimates.

Line 8. Amount Paid.

Column A	Enter estimated payments made by the due date for the first quarterly return.
Column B	Enter payments made after the due date in column A and by the due date in column B.
Column C	Enter payments made after the due date in column B and by the due date in column C.
Column D	Enter payments made after the due date in column C and by the due date in column D.

If quarterly payments are made after the due date, penalty and interest will apply until the payment is received. If less than full payment is made with a late filing, you will need to compute multiple penalty and interest calculations for each column. Attach a separate schedule.

Part 2, Figuring the Interest.

This section computes the interest due for both non-filing and underpayment of the required estimated tax. Follow the instructions for each line, as the interest amount is different for each quarter.

Line 17. Enter the due date of your next quarter or the date the tax was paid, whichever is earlier. In column D, enter the earlier of the due date for your annual return or the date the tax was paid. An approved extension does not change the due date of the annual return (column D) for this computation.

Part 3, Figuring the Penalty.

This section computes the penalty for non-filing of the required estimated tax payments. If you made any estimated tax payments, do not compute the penalty. Treasury will review the estimates filed and, if necessary, bill you for the appropriate penalty on the underpayment of estimates.

Avoiding Penalty and Interest

If you had business activity in Michigan in 1999 and your 1999 tax is \$20,000 or less, you can avoid paying penalty and interest in 2000 by using your 1999 tax as the basis for your 2000 estimates. Divide your 1999 tax by 4 (e.g. $\$20,000 \div 4 = \$5,000$) and pay that amount on the 2000 quarterly due dates. (You may also divide by 12 and pay that amount with your monthly sales, use or withholding tax payment.) If you had business activity in Michigan in 1999 but reported no tax liability or were not required to file a 1999 return, you can still use your 1999 tax as the basis for filing your 2000 estimates. In this case, your 1999 tax liability would have been zero, so quarterly payments would not be required for 2000.

If your previous year was less than 12 months, annualize the previous year's tax liability to determine if estimates are due and the amount due. See page 6 for complete annualizing instructions.

ANNUALIZATION WORKSHEET

You may use the annualization worksheet to determine the amount of estimates due when your income is not evenly distributed through the tax year.

Each column represents a quarterly 3-month filing period.

The annualization worksheet essentially leads you through the steps required to calculate the actual single business tax due for the tax year to date. The net tax liability is then annualized and multiplied by the percentage of estimates required for that quarter.

Line 16 Tax Rate. Refer to Important News for 1999 to determine the tax rate that applies to your tax year end. The tax rate for a 12-month return ending December 31, 1999 is 2.2 percent.

Line 29. Estimate Requirements by Quarter. The totals for line 29, columns A, B, C, and D, must equal 85 percent of the current year tax liability on page 1, line 3, of the C-8020.

Attach this schedule to your return.

INSTRUCTIONS FOR C-8030

NOTICE OF NO SBT RETURN REQUIRED

Purpose: To notify Treasury that your tax situation does not require you to file an *SBT Annual Return*.

If you received a tax booklet in the mail but your adjusted gross receipts are less than \$250,000, file this form to notify Treasury that you do not need to file an annual return. ***If you expect this situation to continue***, check box 8 and we will make your SBT account inactive and you will not receive future forms and instruction mailings. You will not need to file any future SBT forms unless your adjusted gross receipts become \$250,000 or more.

If you are a member of an affiliated group, a controlled group of corporations or an entity under common control, the group must sum its members' adjusted gross receipts to determine if members of the group need to file. Do not include members whose adjusted gross receipts are less than \$100,000; these members are not required to file an SBT return and can discontinue their accounts by contacting the Registration Section at 517-373-0888.

NOTE: You must file a complete annual return (C-8000 or C-8044) instead of this form if any of the following conditions exist.

- Your adjusted gross receipts are \$250,000 or more.
- You are due a refund (see below).
- You are reporting a business loss.
- You are using a business loss carry forward from preceding year(s).

REFUNDS. If you need to claim a refund of payments made, you may file an *SBT Simplified Return* (C-8044) even if you don't meet the qualifying criteria listed for that form. If you are apportioning gross receipts, reporting a business loss or using a business loss carry forward, file an *SBT Annual Return* (C-8000) to claim your refund.

LINE-BY-LINE INSTRUCTIONS

Lines not listed are explained on the form.

Line 1, Taxable Year. If you operate on a fiscal year, enter the beginning and ending dates (month and year) of your annual accounting period. For periods less than 12 months, enter the beginning and ending dates that correspond to the taxable period you reported to the IRS.

Line 3, Account Number. Use your federal employer identification number (FEIN) or the Michigan Treasury (TR) number assigned. Be sure the same account number is used on all attached forms.

Line 4, Gross Receipts. Use the checklist on page 11 to be sure you have totalled your receipts correctly. Use the worksheet on page 16 to determine your gross receipts.

If your tax year is less than 12 months, you must annualize your gross receipts to see if you are eligible to file this form. To annualize, multiply your gross receipts by 12 and divide by the number of months in which you had business activity. Enter this amount on line 4 and write **annualized** above it. See the general instructions for full annualizing instructions.

Line 5, Recapture of Capital Acquisition Deduction. If you disposed of depreciable real or personal property in the taxable year, enter your recapture of capital acquisition deduction from form C-8000D.

Line 7, Business Income. Use the worksheet on page 16 to determine your business income.

Line 8. Check this box if your adjusted gross receipts are less than \$250,000 and you expect this situation to continue or if you have discontinued. If you check this box, your SBT account will become inactive and you will not receive future forms and instruction mailings. If, during the course of doing business, your adjusted gross receipts become \$250,000 or more, you must contact the Treasury Registration Section at 517-373-0888 and begin filing returns.

Line 9. Check this box if you do not want a book mailed to you in the future. We will remove your name from our mailing list.

Reminder: You must sign and date your return. If someone else has prepared your return, they must also sign and date the return. See "Who Must Sign the Return" on page 8.

Mail this form and all applicable schedules to:
Michigan Department of Treasury
P.O. Box 30059
Lansing, MI 48909

INSTRUCTIONS FOR C-8043 STATUTORY EXEMPTION SCHEDULE

Purpose: To compute the allowable statutory exemption.

NOTE: For most filers, the statutory exemption is available only if business income is less than \$67,500. For most corporations, the statutory exemption is available only if the sum of business income, federal loss carryover and carry backs and compensation/director's fees of all shareholders is less than \$67,500.

New: For the purposes of computing the statutory exemption and the small business credit, a member of an LLC is treated as a partner if the LLC is taxed as a partnership. For the purpose of computing the statutory exemption only, a member of an LLC is treated as a shareholder if the LLC is taxed as a corporation.

The statutory exemption cannot be used to increase a business loss to the next year or to offset adjusted tax base (as determined on line 38 of your *SBT Annual Return*) before you report the use of the loss carryovers on your C-8000, line 39. Unused statutory exemption cannot be carried forward.

The statutory exemption will be reduced by \$2 for each \$1 that line 6 exceeds the amount of the exemption on line 13.

Lines not listed are explained on the form.

Line 2, Account Number. Enter the same account number used on page 1 of your annual return.

Line 3. Enter your business income from form C-8000, line 11.

- **Individuals, Fiduciaries, Partnerships and Limited Liability Companies** - May average their income before computing their statutory exemption. If you choose to average your business income, complete *SBT Statutory Exemption/Business Income Averaging* (form C-8000G). Enter the amount from form C-8000G, line 9 here. Be sure to check the box on C-8000, line 42a to indicate that you have averaged your income.

NOTE: Business income averaging is used only to figure the statutory exemption. Do not use it as the current year business income on any form.

Line 5. Enter the amount from form C-8000KC, line 5. Corporations claiming a statutory exemption or a small business credit must complete *SBT Schedule of Shareholders and Officers* (form C-8000KC) to determine compensation and directors' fees of all shareholders. S-corporations and professional corporations must use C-8000KC to determine qualified shareholders for the additional exemption.

Line 7. Enter \$45,000 unless you are a member of a controlled group. If you are a member of a controlled group and claim an allocated statutory exemption, you must attach *SBT Allocation of Statutory Exemption, Standard Small Business Credit and Alternate Tax for Members of Controlled Groups* (form C-8009) to your SBT return. A controlled group is entitled to only one statutory exemption, which is allocated on form C-8009. Controlled groups must enter the amount from C-8009, line 4.

Lines 8 through 10. Complete these lines to increase the statutory exemption for the number of qualified partners or shareholders. Enter the amount from *SBT Schedule of Partners* (C-8000KP), line 5 or the amount from *SBT Schedule of Shareholders and Officers* (C-8000KC), line 4.

NOTE: The increased statutory exemption is only available to S-corporations and professional corporations. It is not available to other types of corporations.

Lines 11 and 12. Complete these lines if you had business activity only during part of a year.

Line 16. Enter here and on your annual return (form C-8000), line 41. If line 16 is negative, enter zero.

Attach this schedule to your annual return.

Instructions for Filing Your Application for Extension

This information is issued under P.A. 301 of 1939, 281 of 1967 and 228 of 1975. Filing of this form is mandatory for single business tax filers to obtain an extension. Income tax filers may file a copy of their federal extension instead.

Income Tax (individual and fiduciary). An extension of time to file the federal return automatically extends the due date of the Michigan return the same length of time. An extension of time to file is *not* an extension of time to pay. If at the time the extension is filed, you determine additional Michigan income tax is due, pay the amount due on this form or on a copy of the federal extension. If no tax is due, it is not necessary to send an extension form to Michigan by April 15 (the copy of the federal extension attached to your return will be sufficient). Attach a copy of all federal and Michigan extensions to the MI-1040 or MI-1041 when it is filed.

Single Business Tax filers must use this form to request an extension and must file it even if the IRS has approved your federal extension. If this form is received with a copy of your federal extension by the due date of your annual return, Treasury will grant you the same length of time as the federal extension plus 60 days. If this form is received without the federal extension, we will grant a 180-day extension.

An extension of time to file is *not* an extension of time to pay. You must include an estimated tax payment with this form, *or* you must have made appropriate estimated tax payments during the year. Extension requests received without payment on the account *will not be honored* and penalty and interest will accrue on the unpaid tax from the original due date of the return. Penalty and interest for late filing is only charged if tax will be due on the SBT annual return. If no tax will be due on the SBT annual return, you do not need to request an extension to avoid penalty and interest.

PART 1: Identification

Lines not listed are explained on the form.

Line 1. File a separate application for each tax type. Check the box next to the tax this application is for. Partnerships and S-corporations filing composite income tax returns (for nonresident partners and shareholders respectively), should check the "Fiduciary Return" box.

Lines 2 and 3. Single business tax and fiduciary filers must enter their federal employer identification number (FEIN) on line 2. Income tax filers must enter their Social Security number on line 3. Do *not* complete both lines 2 and 3.

Line 4. Print or type your mailing address. Income tax and fiduciary filers will *not* receive a response if their extensions are approved. Single business tax filers will receive a written response at the legal address on file with Treasury.

Line 5. Enter taxpayer's name and address only if it is different from the mailing address listed on line 4.

PART 2: Computation and Payment of Tax Due

You must estimate your tax liability for the year and pay any unpaid portion of the estimate with your application for extension. The application and payment must be postmarked on or before the original due date of your return.

If you underestimate your tax due and do not pay enough with your application for extension, you must pay interest on the unpaid amount. Compute interest from the due date of the annual return. The interest rate is 1 percent above prime rate and is adjusted on July 1 and January 1. Interest is charged from April 15 (or the due date of the return) to the date you pay the rest of the tax.

Any one of the following penalties may also apply to the unpaid tax:

- 5 percent per month to a maximum of 50 percent for failure to pay;
- 10 percent for negligence;
- 25 percent for intentional disregard of the law.

Line 7. Payments made to date include quarterly payments, a credit forward from the previous tax year and any other payments previously made for this tax year. Individual income tax filers should include any Michigan withholding.

PART 3: Extension Request

Line 13. For **individual and fiduciary income tax**, if the extension will extend the filing period of a Michigan return beyond the federal extension, attach a copy of the approved federal extension. **Single business tax** filers must check the box and attach a copy of the federal extension application.

Line 15. Check the box if Treasury has already granted you an extension for this tax year. If you need more time, submit a new application with a copy of the original application before the original extension expires.

Mail to the address on the front of the form.

Certified Community Foundations and Component Funds

A component fund serves donors and nonprofit organizations in a specific geographic area as a restricted fund of a neighboring community foundation. The following are certified for the Community Foundations Credit for 1999.

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|---|--|
| <ul style="list-style-type: none">01 Albion Civic Foundation51 Alger Regional Community Foundation56 Allegan County Community Foundation63 Anchor Bay Foundation02 Ann Arbor Area Community Foundation49 Baraga County Community Foundation58 Barry County Community Foundation17 Battle Creek Community Foundation<ul style="list-style-type: none">Athens Area Community FoundationHomer Area Community Foundation03 Bay Area Community Foundation04 Berrien Community Foundation, Inc.45 Branch County Community Foundation<ul style="list-style-type: none">Colon Area Community Foundation36 Cadillac Area Community Foundation<ul style="list-style-type: none">Missaukee County Community Foundation64 Canton Community Foundation06 Capital Region Community Foundation<ul style="list-style-type: none">Eaton County Community FoundationOvid-Elsie Community FoundationLansing FundLeslie Community Foundation66 Central Montcalm Community Foundation44 Charlevoix County Community Foundation41 Community Foundation for Delta County12 Community Heritage Foundation for Eaton Rapids28 Community Foundation for Muskegon County<ul style="list-style-type: none">Oceana County Community FoundationLudington Area Comm. Foundation29 Community Foundation for Northeast Michigan<ul style="list-style-type: none">North Central Michigan Community FoundationStraits Area Community Foundation09 Community Foundation for Southeastern Michigan<ul style="list-style-type: none">Community Foundation for Livingston CountyChelsea Community Foundation10 Community Foundation of Greater Flint<ul style="list-style-type: none">Clio Area Community FoundationFenton Community FoundationGrand Blanc Community FoundationLapeer County Community Foundation11 Community Foundation of Monroe County<ul style="list-style-type: none">Bedford Foundation35 Community Foundation of St. Clair County20 Community Foundation of the Holland/Zeeland Area50 Dickinson County Area Community Foundation<ul style="list-style-type: none">Norway Affiliate Fund69 Farmington Hills Community Foundation13 Four County Foundation14 Fremont Area Foundation<ul style="list-style-type: none">Lake County Community FoundationMecosta County Community FoundationOshtemo County Community Foundation | <ul style="list-style-type: none">15 Grand Haven Area Community Foundation, Inc.<ul style="list-style-type: none">Coopersville Area Foundation16 Grand Rapids Foundation<ul style="list-style-type: none">Hudsonville Community FoundationIonia County Community FoundationSparta Community FoundationWyoming Community Foundation46 Grand Traverse Regional Community Foundation<ul style="list-style-type: none">Otsego Community Foundation48 Gratiot County Community Foundation18 Greater Frankenmuth Area Community Foundation67 Greater Keewana Community Foundation19 Greater Rochester Area Community Foundation37 Greenville Area Foundation43 Hillsdale County Community Foundation60 Huron County Community Foundation21 Jackson Community Foundation22 Kalamazoo Foundation<ul style="list-style-type: none">Greater South Haven Area Foundation Fund23 Leelanau Township Foundation, Inc.55 Livonia Community Foundation25 M & M Area Community Foundation65 Mackinac Island Community Foundation24 Manistee County Foundation, Inc.39 Marquette Community Foundation<ul style="list-style-type: none">Greater Ishpeming Area Community FoundationNegaunee Area Community Foundation26 Marshall Community Foundation05 Michigan Gateway Community Foundation27 Midland Foundation42 Mt. Pleasant Area Community Foundation, Inc.<ul style="list-style-type: none">Clare County Community Fund68 Northville Township Community Foundation47 Petoskey-Harbor Springs Area Community Foundation30 Saginaw Community Foundation61 Sanilac County Community Foundation70 Sault Area Community Foundation71 Shelby Community Foundation53 Schoolcraft County Community Foundation31 Shiawassee Foundation57 Southfield Community Foundation40 Sturgis Foundation<ul style="list-style-type: none">Constantine Area Community Foundation62 Tecumseh Community Fund Foundation32 Three Rivers Area Foundation72 Troy Community Foundation73 Tuscola County Community Foundation54 UP Community Foundation<ul style="list-style-type: none">Forest Park Area Community FoundationGogebic Area Community FoundationLes Chenaux Area Community FundParadise Area Community FundSt. Ignace Area Community Foundation |
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QUICK REFERENCE GUIDE TO FORMS* AND SCHEDULES REQUIRED UNDER CERTAIN CONDITIONS

Condition:	Form to use
Business activity taxable in another state	C-8000H
Business Income Averaging (Individuals, Partnerships, Fiduciaries & LLCs)	C-8000G
Capital Acquisition Deduction / Recapture	C-8000D
Credits:	
Apprenticeship	C-8000MC
Brownfield	C-8000MC
Capital Acquisition Deduction	C-8000MC
Community Foundation	C-8000C
Enterprise Zone	C-8000MC
Historic Preservation	C-8000MC
Homeless Shelter/Food Bank	C-8000C
Michigan Economic Growth Authority Business Activity Tax (MEGA)	C-8000MC
Michigan Economic Growth Authority Employment Tax (MEGA)	C-8000MC
Public Contribution	C-8000C
Public Utility Property Tax	C-8000C
Renaissance Zone	C-8000MC
Small Business/Alternate Tax	C-8000C
Controlled groups also attach	C-8009
Corporations also attach	C-8000KC
Loss Adjustment Worksheet attach if needed	3307
Partnerships also attach	C-8000KP
Unincorporated	C-8000 or C-8044
Workers Disability Supplemental Benefit (WDSB)	C-8000MC
Extension of time to file Michigan tax returns	4 (formerly C-4267)
Penalty and interest for underpayment, late filing or late payment of estimates	C-8020
Reductions to adjusted tax base, excess compensation or gross receipts	C-8000S
Statutory Exemption	C-8043
Controlled groups	C-8009
Partnerships	C-8000KP
Professional Corporations	C-8000KC
S-corporations	C-8000KC

*See page 5 for filing of annual returns.

ORGANIZATION TYPE REFERENCE GUIDE

	Organization Type						
	Individual	Fiduciary	Professional Corp	S-corporation	Other Corp	Partnership	Limited Liability Co.
Annualize if less than 12 months	N	N	Y	Y	Y	Y	Y
Prorate Statutory Exemption	Y	Y	Y	Y	Y	Y	Y
Business Income Averaging	Y	Y	N	N	N	Y	Y
Contribution Credits							
Community Foundation	*	*	Y	Y	Y	Y	Y
Homeless Shelter/Food Bank	*	*	Y	Y	Y	Y	Y
Public Contribution	N	N	Y	Y	Y	Y	Y
Public Utility	N	N	Y	Y	Y	N	N
Unincorporated	Y	Y	N	Y	N	Y	Y
File Consolidated (with prior approval)	N	N	Y	Y	Y	N	N
Increase Statutory Exemption	N	N	Y	Y	N	Y	Y

*Yes, if not claiming under Section 261 of the Income Tax Act

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Revenue Administrative Bulletins

<u>Number</u>	<u>Title</u>
1999-11	Industrial Restructuring Alternative Sales Factor Apportionment
1999-10	Single Business Tax Foreign Tax Base Retroactivity
1999-9	Effect of Federal Entity Classification Election on Michigan Taxes
1999-7	List of Certified Community Foundations for Tax Year 1999, Single Business Tax Credit and Income Tax Credit
1999-6	Interest Rate
1998-1	Single Business Tax Nexus Standards
1996-4	Credit or Refund of Overpayment of Taxes or Credits in Excess of Tax Due and Applicable Interest
1995-10	Income Tax - Single Business Tax Community Foundation Credit Extended
1995-4	Penalty Provisions
1994-12	Single Business Tax and Individual Income Tax Treatment of an Election Under Internal Revenue Code Section 338
1994-1	Challenge of Assessment, Decision or Order Limited by Statute
1993-14	Credit or Refund of Overpayment of Taxes or Credits in Excess of Tax Due and Applicable Interest
1993-10	Enterprise Zone Act. Sales and Use Tax Exemptions and Single Business Tax Credit
1992-10	Income and Single Business Taxes - Credit for Cash Donations to Eligible Shelters for the Homeless, Food Kitchens and Food Banks
1992-3	Single Business Tax, Capital Acquisition Deduction.
1990-35	Single Business Tax Treatment of Terminated Pension Plans
1989-54	Single Business Taxation of Real Estate Mortgage Investment Conduits (REMICs)
1989-51	Single Business Tax, Small Business Credit and Statutory Exemption for Part-Year Shareholders/ Partners
1989-49	Single Business Tax, Consolidated or Combined Reporting
1989-48	Single Business Tax, Entities Under Common Control
1989-47	Single Business Tax, Agriculture Exemption
1989-38	Officer Liability
1987-6	Single Business Tax Estimates

Treasury Offices

Main Office

LANSING, 48922
Treasury Building
430 W. Allegan St.
517-373-8030
1-800-367-6263 (forms)

Other Offices

DETROIT, 48226
State of Michigan Plaza Building
1200 6th St.

ESCANABA, 49829
State Office Building, Room 7
305 Ludington St.
(open 8 - 12 only)

FLINT, 48502
State Office Building, 7th Floor
125 E. Union St.
(closed 12 - 1)

GRAND RAPIDS, 49503
State Office Building, 3rd Floor
350 Ottawa St., NW

KALAMAZOO, 49005-0286
535 S. Burdick St., Ste. 197
(closed 12 - 1)

SAGINAW, 48607
State Office Building, 4th Floor
411-I E. Genesee St.
(open 8 - 12 only)

STERLING HEIGHTS, 48314
41300 Dequindre, Suite 200

TRAVERSE CITY, 49684
701 S. Elmwood Ave., Ste. 1
(open 8 - 12 only)

Deaf, hearing or speech impaired persons may call 517-373-9419 (TTY)